

Puget Sound Energy

Prior Obligation Quarterly Report
for the Quarter Ending March 31, 2011

May 20, 2011

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Introduction

In compliance with Order 01 *Granting Joint Motion and Terminating Proceeding*, adopted by the Washington Utilities and Transportation Commission ("Commission") on December 28, 2010 (as modified by Erratum to Order 01 on January 4, 2011), in Docket Number U-100182 ("Order"), Puget Sound Energy ("PSE" or the "Company") submits this Quarterly Report of Self-Audit for the quarter ending March 31, 2011.

On October 12, 2010, the Commission issued a Penalty Assessment against PSE in the amount of \$104,300 alleging violations of Washington Administrative Codes (WACs) 480-90-123(2) which applies to gas companies and 480-100-123(3) which applies to electric companies concerning prior obligation rules. The prior obligation rules state: a gas (electric) utility may not refuse to provide new or additional service to a residential applicant or residential customer who has a prior obligation. A prior obligation is the dollar amount, excluding deposit amounts owed, the utility has billed to the customer and for which the utility has not received payment at the time the service has been disconnected for non-payment.

In the Order, the Commission granted a *Joint Motion to Accept Full Payment of Penalty; Require Investigation of Twenty-six Specific Accounts; Require Continued Plan Implementation; and Terminate Proceedings, and Certificate of Service; Authorizing and Requiring Compliance Filing* ("Joint Motion") filed by the parties on December 16, 2010. The Joint Motion included two attachments. As corrective measures, PSE is required to complete investigations into the twenty-six accounts described in Attachment A to the Joint Motion and to continue implementation of the Company's plan described in Attachment B to the Joint Motion. This report consists of two sections. The first section describes the Company's progress on the implementation plan from Attachment B to the Joint Motion. The second section contains the Quarterly Report of Self Audit. The investigation results of the twenty-six accounts are reported in a separate document.

Definitions

Definitions of Prior Obligation

The following definitions are used throughout this document and define when a specific category of meter issues is considered "identified".

- a. Prior Obligation Amount: Dollar amount, excluding deposit amounts owed, the utility has billed to the customer and for which the utility has not received payment at the time the service has been disconnected for nonpayment.
- b. Prior Obligation Account: A CLX product assignment with a prior obligation amount owing.

c. Prior Obligation Processing: The process of closing a disconnected product assignment and opening a new one for the same location and fuel type to exempt the prior obligation amount from the normal PSE Active Credit process.

d. Internal Quality Control Process: The process put in place by PSE to conduct a 100 percent review of prior obligation accounts and take corrective measures for any processing errors discovered during the review.

e. Internal Quality Assurance Process: The process put in place by PSE to perform end-to-end Quality Assurance of the Prior Obligation process and conduct the Quarterly Quality Assurance Self Audit. Process deliverables include immediate agent coaching feedback, trend analysis, daily, weekly, and monthly updates, Quarterly Self Audit report, and recommendations for training and process improvements.

f. External Quality Assurance Process: A third party review conducted by PSE internal compliance group to audit the Internal Quality Assurance Process and ensure it meets required performance standards.

Definition of a Pledge: A promise of payment from a charitable or social support agency made in lieu of immediate payment to suspend or reverse active credit and collection activities until agency can process and remit the actual payment. The account is considered to be paid on the date the promise of payment is received.

Performance Standards

Implement Quality Assurance for Disconnection Process: As of December 3, 2010, PSE began conducting an end-to-end process review for accounts where customer is disconnected for non-payment. The target sample size for the review is 10% of all Disconnection Queue calls. The target for the process performance is 100% (including all reworks and/or corrections).

Improved Pledge Process: As of January 24, 2011, the Pledge process has been documented and improvements have been made to ensure that the pledges are not applied to Prior Obligation Balances. Performance of this improved process is tracked as part of the Quality Assurance Process and Self Audit.

Status of Implementation of the Plan described in Attachment B to the Joint Motion

The following chart is a consolidated list of the Action Items identified on pages 3, 4 and 7 of Attachment B to the Joint Motion and the status of each of the items.

Action Item	Status
Document and improve Pledge related processes	<ul style="list-style-type: none"> Completed as of February 4, 2011. Continue to monitor process
Review Prior Obligation process and refine as needed Revise Prior Obligation process	<ul style="list-style-type: none"> Completed as of December 10, 2010 Continue to identify and implement opportunities for improvement
Review process of Customers who do not contact immediately after disconnect	<ul style="list-style-type: none"> Completed as of December 10, 2010
Establish VRU option for disconnected customers	<ul style="list-style-type: none"> VRU option implemented as of December 10, 2010. Evaluate effectiveness and update VRU scripting as needed
Establish specialized team to handle disconnected customers	<ul style="list-style-type: none"> Team established as of December 3, 2010. Evaluate agent performance and train staff as needed
Update scripting	<ul style="list-style-type: none"> Completed as of December 10, 2010 Additional revision completed as of March 14, 2011.
Establish Quality Assurance criteria (checklist) to examine end-to-end prior obligation handling	<ul style="list-style-type: none"> Completed as of December 1, 2010
Enhance prior obligation quality assurance process Perform Quality Assurance against new process and continue to refine	<ul style="list-style-type: none"> Continue to monitor 10% of disconnection calls
Quarterly quality assurance self audit Establish reporting format for QA results	<ul style="list-style-type: none"> Initiated QA reviews on updated processes on December 3, 2010

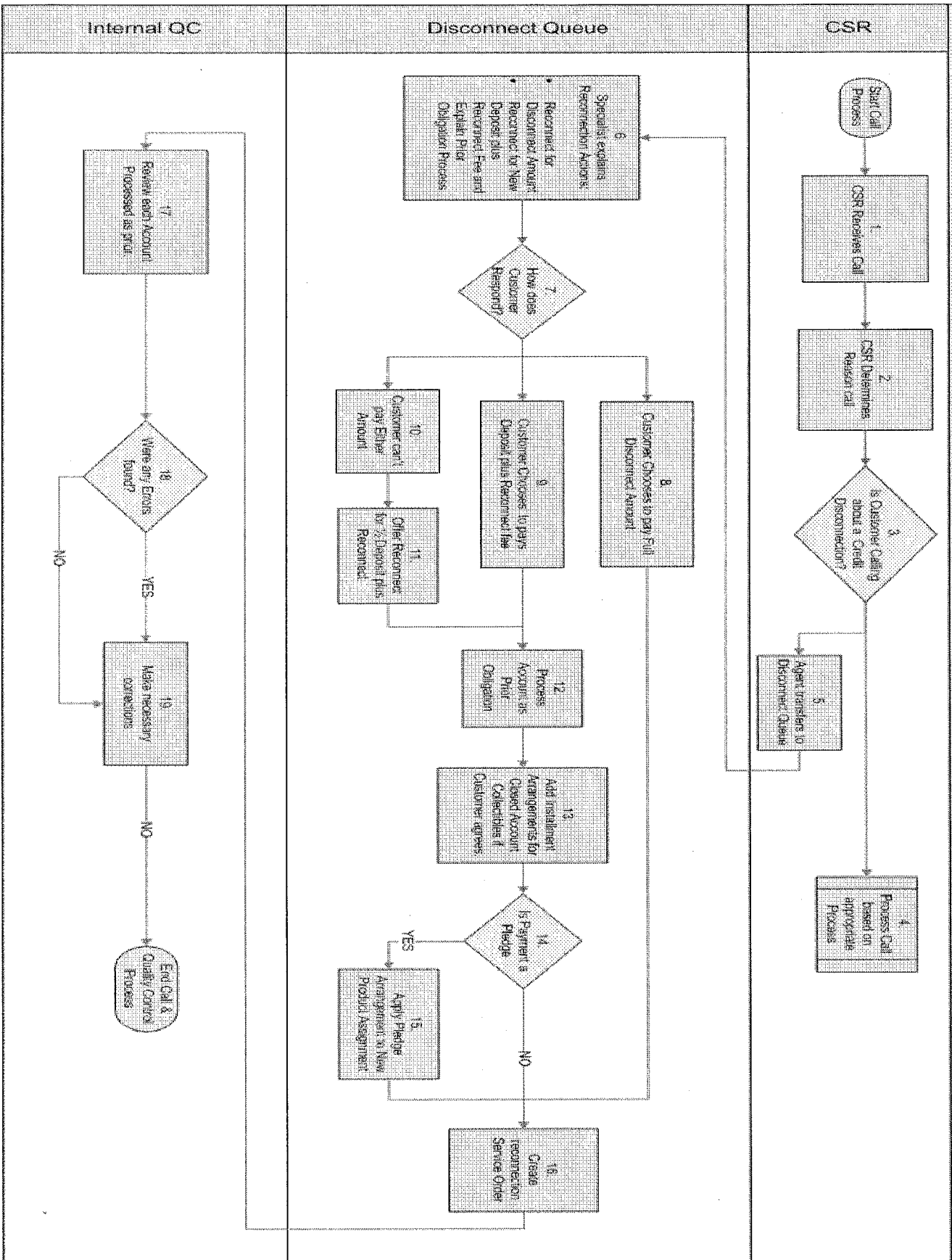
Quarterly report of self audit Provide quarterly report beginning in April 2011	<ul style="list-style-type: none"> File quarterly reports within 30 days of the quarter end
Prior obligation communications	<ul style="list-style-type: none"> Completed as of December 10, 2010 Continue to provide immediate feedback to agents Provide trend analysis to improve quality of training and coaching
Continue to monitor and mitigate all complaint scenarios	<ul style="list-style-type: none"> All complaint scenarios to date have been reviewed and mitigated when necessary
Focused training for specialized disconnect team Frequent refresher training Maintain training curriculum for pledges and prior obligation	<ul style="list-style-type: none"> As of December 10, 2010 all agents and Customer Care leadership trained on new processes
Testing and coaching	<ul style="list-style-type: none"> Implement NICE scorecard to improve supervisor ability to track effectiveness of coaching
Curriculum development for initial training and on-going training Refined prior obligation training for, Leads and leadership team.	<ul style="list-style-type: none"> Evaluate effectiveness of April refresher training Provide additional training as needed
Develop prior obligation scorecard	<ul style="list-style-type: none"> Completed as of December 3, 2010 Evaluate scorecard effectiveness. Identify process improvements based on reporting results.
Develop method to monitor pledge application workload	<ul style="list-style-type: none"> Refine monitoring tool to increase efficiency of monitoring activity Continue weekly calibration with QA monitors
Implemented a post prior obligation handling review to ensure proper application of payments/pledges	<ul style="list-style-type: none"> Error Rate for first quarter 2011 was 1.7%. Target for Quarter 2 is to decrease to 1% or less
Review deposit standard	<ul style="list-style-type: none"> Completed as of December 10, 2010
Continue to work with agencies on pledge process improvement	<ul style="list-style-type: none"> Developed Letter of Intent Process for agency use as of January 28, 2011.

Quarterly Prior Obligation Report, Q1 2011

Summary of Quality Assurance Processes

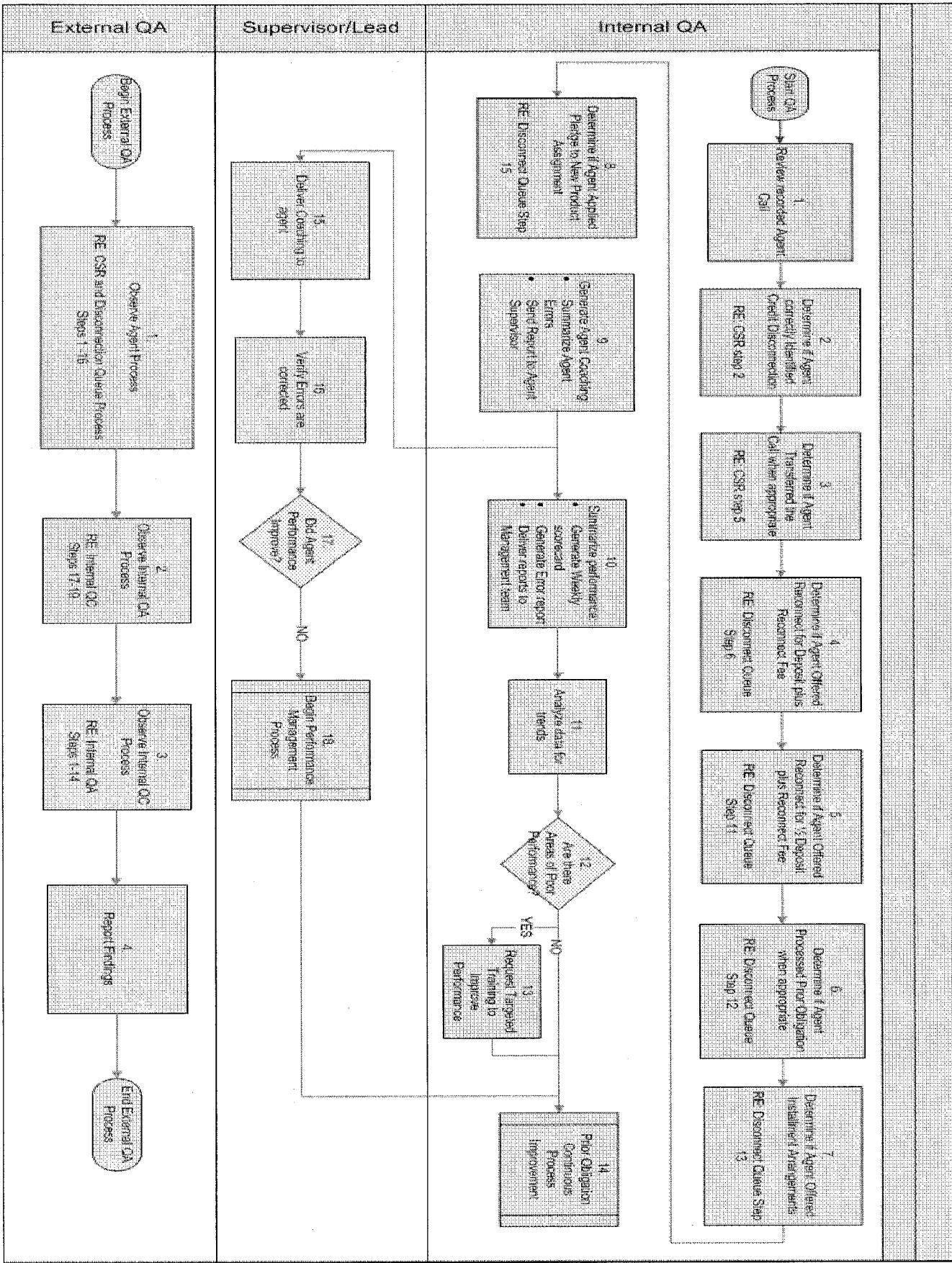
On December 6, 2010, an auditing process was implemented to ensure compliance with the new Disconnection Process. Each call handled by the new Disconnection Specialist was logged in a tracking tool and reviewed for completeness and accuracy during the Quality Control Process. In addition, the Quality Assurance process randomly selected 10% of all disconnection calls to audit which is a consistent in sample size with other PSE quality control processes. During this audit, the disconnection process is reviewed from the customer's initial disconnection inquiry to application of payment for reconnection, to track compliance for each step of the process. Results of the audit are tracked on a monthly score card. A high level view of the Disconnection Process, Internal Quality Control Process, Internal Quality Assurance Process, and External Quality Assurance Process are outlined in the attached flow charts.

Prior Obligation Process Flow – Last update: 5/20/11
 High Level overview of Prior Obligation call flow, Internal Quality Assurance process, Internal Quality Control process, and External Quality Assurance Process.



Prior Obligation Process Flow, cont. – Last update: 5/2011

High Level overview of Prior Obligation call flow, Internal Quality Assurance process, Internal Quality Control process, and External Quality Assurance Process.



Internal Quality Control Results

Month	Number of Prior Obligation Accounts Processed	Number of Accounts with Processing Errors	Prior Obligation Account Processing Error Rate
January	884	21	2.4%
February	1261	23	1.8%
March	2688	21	0.8%
Total	4833	65	1.7%

Performance results from Internal Quality Control Process performed by Disconnection Queue.

Internal Quality Assurance (Self Audit) Results

Prior Obligation Audit Key Performance Indicator	March Performance	YTD Average
Residential Non-payment Disconnection Identified	100%	100%
Disconnect call transferred to Disconnection Queue	86%	86%
Customer offered reconnect for New Deposit	71%	76%
Customer offered reconnect for 1/2 New Deposit if applicable	72%	79%
Account Processed as Prior Obligation if applicable	99%	99%
Closed account Installment arrangements offered	95%	98%
Pledge Arrangement posted to Active Product Assignment	100%	100%

Performance results from Internal Quality Assurance Audit performed by Quality Assurance Team.

Analysis of Trends /Observations

Agents in the specialized Disconnection Queue consistently performed well at handling Disconnection Calls, processing Prior Obligation, and ensuring that Pledges were correctly applied when being used to restore service after Disconnection for Non-Payment. For the main agent population, knowledge retention has not been as good, so continued refresher training, and coaching will be necessary to ensure that agents who are not trained on the Disconnect process do not attempt to handle these calls. The IVR appropriately directs most calls to the specialized queue, however, customers may choose other options and get an agent in the general population so continual training and coaching occurs in that population to ensure the appropriate handling of calls.

Status of ongoing process improvement efforts:

Processing errors are captured and forwarded to the CAC management team, who in turn provide corrective coaching for each agent error identified. A report has been created to highlight agents who make repetitive mistakes. Due to the frequency and category of errors found in the first quarter, revised training was provided to ensure all CAC agents are clear on the process and calls are transferred to the specialized group when appropriate. In addition, if a customer did not receive the appropriate options due to an agent error, a member of the Disconnection group contacts the customer to make the options known and reprocess the account based on the customer's informed decision. The disconnect queue also performs a 100% self audit of all prior obligation accounts to ensure correct processing. The audit data is tracked in a data base for reporting and trend analysis. For the Q1 review period, 4833 prior obligation accounts were tracked and reviewed. Of these, 98.3% were initially processed correctly. Those with errors were corrected bringing total process compliance to 100%.

Future Actions Planned by PSE:

The Quality Assurance team has identified trends and analyzed mistakes in handling Credit Disconnections calls. A report of those trends is generated weekly and sent to the

CAC Management team for agent follow-up and corrective action. Those who fail to meet standards will have additional errors treated as performance issues. Performance issues will be handled in accordance with Puget Sound Energy's Performance Management guidelines.

Summary of Performance Management Actions

Specialty Group of Agent Statistics

1st Quarter 2011

Side by side corrective coaching where an explanation and correction of accounts brought process compliance to 100% when errors were made. All 65 errors were coached, corrected and recorded. From these errors 2 agents were placed on performance improvement plans. Since improvement was not consistently made they were immediately removed from the team on 1/28/2011 and the other on 3/1/2011.

Agents *outside* of the Specialty Group Statistics

1st Quarter 2011:

If the QA team, a member of Management or a Specialty Agent finds a mistake on an account it is brought to the Lead or Supervisor of the Specialty Group. The Lead or Supervisor of the agent who made the mistake has side by side corrective coaching to instruct the agent to 100% compliance.

All agents understand that if compliance is not kept it will lead to performance improvement, further disciplinary action up to and including termination.

Next Steps:

- Provide intentional formal and side by side corrective coaching by management to ensure process is followed and 100% compliance is reached for all agents.
- Give reminders to agents through management communication in how to handle a call when services are disconnected for non-payment which will increase overall agent performance.
- Implement continued performance improvement plans as necessary based on individual agent performance.

Overall Performance Management Steps

Formal coaching is provided on a monthly basis where calls are randomly selected (this is in addition to QA calls being monitored). Each call is discussed and any performance improvements/expectations are documented on the coaching.

Side by Side Corrective Coaching and Instruction are provided immediately when mistakes are made. Corrections are made by the agent with an explanation and assistance by Lead or Supervisor of the mistake and how to avoid the mistake in the future. These are documented.

Performance Improvement Plan is necessary when an agent is making repeat mistakes from side by side coaching and/or formal coaching or if there is a decrease in overall agent performance. Specific process improvement steps are discussed with the agent by the Supervisor requiring immediate improvement.

- For the Specialty Group if immediate improvement is not made a transition back to the general populace will be deemed immediately necessary and possible further disciplinary action up to and including termination.
- For agents outside of the Specialty Group if immediate improvement is not made disciplinary action up to and including termination may be deemed necessary based upon the infraction.

Issues Discussion:

An emerging trend revealed in March 29 weekly update from Internal Quality Assurance indicated compliance with the instruction to transfer immediately to the disconnect queue was not followed consistently. Deeper analysis revealed that the agents in the general population were discussing the disconnect amounts while screening the call for transfer to the disconnection queue. To resolve this, agent training was revised to include a script to guide the agent to redirect the customer to the specialized group immediately. All agents received the new training during the month of April 2011 and will continue to be tracked by The Quality Assurance (QA) Team as indicated above. Due to limited staffing for the Internal Quality Assurance Team, the sample size for January and February were statistically significant, but less than 10%. Effective February 24, 2011, additional personnel were added to the QA Team and subsequent samples are at least 10% of total monthly Disconnect Queue calls.

Conclusion

Results for the first quarter reflect a learning curve response to the newly trained process. The quality monitoring effort allows PSE to identify agent errors and retrain those agents who need additional training to improve overall process performance. In addition, the 100% audit performed by the disconnection queue ensures that customers are not impacted by agent errors. Initial results from the most recent agent retraining performed in April indicate improved performance. With the agent feedback model in place, process performance is expected to improve over time.