

VIA ELECTRONIC E-mail and US MAIL

December 26, 2001

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

RE: Docket U-991301, Comments on Draft Revisions to Customer Notice Rules

Dear Ms. Washburn,

PSE is grateful for the opportunity to provide yet another round of comments in the above noted rulemaking proceeding. With one revision, as discussed in detail below, PSE believes the new customer notice rules will be an improvement over the existing standards, consistent with Executive Order 97-02, and otherwise be in the public interest.

Concern with Practical Results of the Rule

Throughout this rulemaking process, PSE has strongly advocated improving the customer notification rules. The proposed rule provides utilities with some alternatives, essentially, substituting newspaper advertising for direct notice. Unfortunately, the specific proposal renders it impractical for the Company to utilize the direct notice alternative. PSE again strongly appeals to the Commission not to adopt a rule that will eliminate the most effective and often most cost effective notification methods—bill inserts. Specifically, the provision that renders the direct notice method impractical is the requirement that a notice be mailed to customers with minimum of 15 days prior to the effective date of the proposed revision.

This draft is different than the last version in that customers would no longer have to receive the notice 15 days in advance but such notices would have to be mailed with 15-days notice to each customer. Focusing on mailing versus receiving does not address the problem the practical problem created by this language. By statute, utilities must file a requested tariff revision with 30 days notice to the Commission (not considering requests for less than statutory notice). This means that if PSE desired to implement the direct notice alternative using bill inserts, the bill inserts would have to begin 45 days before the effective date of the proposed tariff—15 days before the tariff is even filed! Please note this does not consider a minimum of five days to design and print the notice. The only work-around for this problem would be to use direct mailers to half of our customers. Direct mail notice, however, is prohibitively

expensive. Thus, as PSE has stated repeatedly throughout this two-year process, the minimum timing requirement does not represent a reasonable balancing of the public interest and should be rejected.

Public Policy Issues to Balance

There are three important public interests that must be balanced, within the Commission's statutory authority, when considering the customer notification rule. First is effectiveness of the notice; that is, maximizing the number of customers that receive information about changes to pricing, terms, or conditions of their utility service. Second is timeliness or how much time customers have to plan to respond to the change, including whether to participate in any public process such as writing letters or attending open meetings. Third is the cost of different approaches.

How Staff's Proposal Balances the Public Policy Issues

Consider the proposed rule within the context of these three public policy concerns. As noted above, PSE practically would not be able to choose the direct notice alternative, relying on the newspaper advertising method. This approach would get the message to more people faster, thus have a good "timeliness" score. Those customers that see the notice would have 30 days to plan and participate in public processes. However, unless customers visit one of the community agencies, the story is picked up by the news media, or the customer sees the notice on PSE's website (other requirements of the rule) customers that do not see the advertisement would not be aware of the change to their utility service. Additionally, depending on the number of affected customers and the exact size of the notice, it may actually cost slightly more to do the newspaper advertising than it would to use bill inserts. Thus, as written, the practical results of the proposed rule scores relatively poorly in the effectiveness category, higher in the timeliness category, and mixed/push in the cost category relative to dropping the 15-day requirement.

PSE's Recommended Alternative

Consider an alternative where the minimum 15-day requirement is dropped and utilities use bill inserts beginning the day the filing is made to the Commission—along with sending notice to interested agencies, press releases, and posting on the web. In this case, all customers will receive a notice, maximizing the effectiveness of the information; that is, every single customer will receive a statement about the change to their service. In terms of timeliness, however, fewer customers will see the notice 30 days before the tariff is effective than if a newspaper ad had been run. Timeliness is important, in part, to make sure the public has an adequate opportunity to provide input to the Commission. However, please refer to PSE's April 27, 2001, comments with regard to public participation. In those comments, the Company explained that if bill inserts began the first of the month, that by the 20th of that month, more than 280 times the number of customers will have received the notice than would be required to conduct statistically valid political polling with a +/- 3% margin of error. This suggests that while each individual customer may not have an opportunity to participate in some form of public process on a timely basis, mailing bill inserts commensurate with the filing will provide the Commission with more than an adequate gauge of public opinion.

Adopting a rule that, in practical terms, eliminates direct notice as a noticing alternative for utilities does not appear to be reasonable. All that is needed to render a reasonable rule is for the Commission to drop the 15-day mailing requirement.

Conclusion

PSE looks forward to continuing to work with interested parties toward improving the current customer notification rules through this process. If you have any questions about these comments, please contact Phillip Popoff at (425) 462-3229. If I can be of any assistance, please contact me at (425) 462-3178.

Sincerely,

Steve Secrist
Director, Rates and Regulation