Agenda Date: January 9, 2002
Item No.: 2A

Docket: UE-011603
Company Name: Puget Sound Energy, Inc.

Staff: Joelle Steward, Regulatory Analyst

Recommendation

Deny the Petition for Mitigation and order the Company to pay the penalty of $54,945 for failure to meet the Service Quality Index (SQI) benchmark for Customer Access Center Transaction Satisfaction, SQI No. 6.

Background

In the 1997 merger of Washington Natural Gas Company and Puget Sound Power and Light Company (Docket Nos. UE-951270 and UE-960195), the Commission approved a Stipulation and a Supplemental Stipulation, which established a Customer Service Quality Program for the newly formed Puget Sound Energy (PSE or Company). The Service Quality Program was developed to assure customers that they would not experience deterioration in quality of service from the combined company during the rate plan period[1].

The program is comprised of a Customer Service Guarantee (a $50 rebate for missed appointments) and a Service Quality Index (SQI). The SQI measures the Company's performance against ten benchmarks for service. Where possible, the benchmarks were based on the historical performance data of the merging companies. The Stipulation provides for the imposition of financial penalties for failure to achieve the established benchmarks. The Company may file a mitigation petition for relief from penalty if it believes, in good faith, that it meets the standard for relief. The Stipulation states, "The standard to be applied for such petition is that the penalty is due to unusual or exceptional circumstances for which PSE's level of preparedness and response was reasonable" (page 13).

On November 30, 2001, PSE filed its annual report on the Service Quality Program. In the reporting period of October 2000 through September 2001, the Company met or exceeded eight of the ten SQIs. It did not achieve the benchmarks for SQI No. 1, Overall Customer Satisfaction and SQI No. 6, Customer Access Center Transaction Satisfaction. There is no penalty associated with SQI No. 1.

The SQI No. 6, Customer Access Center Transaction Satisfaction, is measured from monthly survey responses to the question, "Overall, how would you rate your satisfaction

[1] In the Second Supplemental Stipulation the parties agreed to extend the Service Quality Program for an additional year (through September 30, 2002).

with this call to Puget Sound Energy—would you say 7—completely satisfied, 1—not at all satisfied, or some number in between?" (Supp. Stipulation, Exhibit A, page 9). An independent survey company conducts and reports on the surveys to the Company. The benchmark is a 91 percent average rating of 5 or higher on a 7-point scale. In the 2001 reporting period, the Company achieved a 90 percent average rating. For failing to achieve the benchmark, the Company incurs a penalty of $54,945, which is calculated using the formula and penalty amount agreed to in the Supplemental Stipulation and approved by the Commission in the merger proceeding.

The Company filed a Petition for Mitigation (Petition) of this penalty on the basis that the penalties stem from call center performance associated with the Company's Personal Energy Management (PEM) program in May 2001. The Access Center satisfaction performance was 86 percent in May 2001, the first month of implementation of PEM billing. The Petition states that "the circumstances underlying below standard performance were exceptional and isolated, and, most important, the problem has been rectified" (page 1). The Company states that the change in rate structure contributed to the May dip in ratings because of customer uncertainty about the effect on their bills. In the Petition the Company lists examples of how Access Center information was fine-tuned and enhanced following the initiation of Time of Day billing. Thereafter, the rating was at or above the benchmark in the remaining four months of the 2001 reporting period. PSE requests that the May 2001 survey results for SQI No. 6 be excluded from the current reporting period results, thereby eliminating the associated penalty.

Discussion

The improved performance of the Access Center in the last four months of the reporting period, as measured by SQI No. 6, is laudable given the change in the rate structure that the PEM billing pilot participants experienced. However, Commission Staff believes that PSE paints an incomplete picture in pinning the failure to achieve the benchmark on the performance in May exclusively. A complete review of its performance shows that PSE failed to achieve the benchmark because of below-standard performance for over half of the reporting year: ratings in seven of the 12 months were below the benchmark. The following table presents the results by month:

PSE SQI No. 6 – Access Center Transaction Satisfaction

Oct 2000	Nov 2000	Dec 2000	Jan 2001	Feb 2001	Mar 2001	April 2001	May 2001	June 2001	July 2001	Aug 2001	Sept 2001	Ave.
90%	**88%**	**89%**	**90%**	91%	**89%**	**89%**	**86%**	94%	91%	95%	91%	**90%**

Contrary to the Company's argument, this table shows that the below-standard performance was far from isolated.[2] The Company offers no explanation in its Petition for Mitigation for its performance in any month other than May.

[2] The decline in performance is actually shown to begin in August 2000 and September 2000 of the prior reporting period with ratings of 89% and 87%, respectively.

Staff does not believe that the Company meets the standard for mitigation--*unusual or exceptional circumstances for which PSE's level of preparedness and response was reasonable*. Staff recognizes that there were many unusual or exceptional circumstances in the energy industry in the West over the past year. The specific circumstances that PSE's customers experienced during this period were a purchased gas adjustment (PGA) increase in mid-January of approximately 26.5 percent[3] and the implementation of the PEM informational program beginning with December bills. However, the pattern of below-standard performance in the first two-thirds of the reporting period does not show a reasonable level of preparedness and response by the Company in preparing the Access Center to adequately address customer questions or concerns. The purpose of the transaction-based surveys is to determine whether the Company's interactions with its customers meet those customers' reasonable expectations. The data show that the interactions did not meet the level of satisfaction, with any reasonable level of consistency, as agreed upon by Staff, Public Counsel and the Company in the Supplemental Stipulation establishing this benchmark and approved by the Commission. Although the degree by which the Company failed to meet the benchmark is very small on average, Staff believes that the Company should honor this agreement and urges that the penalties be imposed. To do otherwise would severely undermine and weaken the principles behind the SQI.

Application of the Penalty

The Stipulation states that any penalties imposed by the Commission will be allocated between gas and electric operations using a prescribed formula and implemented in electric rates by offsetting the rate increases during the rate plan period and in gas rates by applying a uniform percentage of margin adjustment to gas sales and transportation rates. Using the prescribed formula, the refund to be allocated to electric customers is $33,483 and the refund to gas customers is $21,462. Since the electric rate plan period has concluded, in its annual report on the Service Quality Program, the Company proposes that the refund to electric customers be offset against the March 2002 Conservation rider and the refund to gas customers be offset against PGA balances if the Commission denies the Petition for Mitigation. Staff finds this proposal acceptable. Pursuant to the Stipulation, customers will receive notification of the penalty and SQI performance in PSE's annual report to customers on the Service Quality Program, which is only distributed after adequate consultation with Staff and Public Counsel.

Recommendation

Staff recommends that the Commission deny the Petition for Mitigation and order the Company to pay the penalty of $54,945 for failure to meet the Service Quality Index benchmark for Customer Access Center Transaction Satisfaction, SQI No. 6.

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[3] In August 2000, two months prior to this reporting period, the customers also saw a 30 percent PGA increase.