

Puget Sound Energy

Prior Obligation Quarterly Report
for the Quarter Ending September 30, 2011

October 25, 2011

Contents

<i>Introduction</i> _____	3
<i>Definitions</i> _____	3
Definitions of Prior Obligation _____	3
<i>Performance Standards</i> _____	4
<i>Quarterly Prior Obligation Report, Q3 2011</i> _____	5
Internal Quality Control Results _____	5
Internal Quality Assurance (Self Audit) Results _____	5
<i>Analysis of Trends /Observations</i> _____	6
Status of ongoing process improvement efforts: _____	6
Future Actions Planned by PSE: _____	6
Summary of Performance Management Actions _____	7
Next Steps: _____	7
Overall Performance Management Steps _____	8
Issues Discussion: _____	8
<i>Conclusion</i> _____	9
<i>Appendix</i> _____	9
Summary of Quality Assurance Processes _____	9

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 September 30, 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. As a corrective measure PSE is required to complete a quarterly audit of its performance in handling credit disconnections.

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.

Quarterly Prior Obligation Report, Q3 2011

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%
April	1442	8	0.55%
May	1708	5	0.29%
June	2198	2	0.09%
July	2877	4	0.14%
August	1792	6	0.33%
September	1212	8	0.66%
Total	16062	98	0.78%

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

Internal Quality Assurance (Self Audit) Results

Prior Obligation Audit Key Performance Indicator	September Performance	YTD Average
Residential Non-payment Disconnection Identified	99%	99%
Disconnect call transferred to Disconnection Queue	88%	86%
Customer offered reconnect for New Deposit	65%	74%
Customer offered reconnect for 1/2 New Deposit if applicable	70%	77%
Account Processed as Prior Obligation if applicable	92%	98%
Closed account Installment arrangements offered	100%	97%
Pledge Arrangement posted to Active Product Assignment	100%	94%

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. The IVR appropriately directs most calls to the specialized queue. Customers may choose other options and speak to an agent in the general population so continual training and coaching occurs in that population to ensure the appropriate handling of calls. During Q3, appropriate transfer by agents to the specialized queue. The overall performance reflects a positive trend. The error rate for processing prior obligations has stabilized at 0.78%.

Status of ongoing process improvement efforts:

Ongoing analysis of agent performance shows an isolated number of agents who continue to make errors in transferring calls to the specialized group. A revised coaching model is being implemented to better support performance management for this group of agents. 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 Q3 review period, 5881 prior obligation accounts were tracked and reviewed. Of these, 99.7% 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

3rd Quarter 2011

Side by side corrective coaching where an explanation and correction of accounts brought process compliance to 100% when errors were made. All 18 errors were coached, corrected and recorded. The coaching process has reduced the error rate to less than 1% for the last month of the quarter.

Agents *outside* of the Specialty Group Statistics

3rd 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:

- Implementation of revised coaching model.
- 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 is 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. In the May 10 weekly update, the general population achieved but failed to sustain an improvement. To address this, the Leads received revised training to increase the effectiveness of their coaching efforts. Performance improved the second half of May and was sustained throughout the month of July. In mid August, some agents in the general population began referring customers to the disconnect amounts on the notice while screening the call for transfer, a variation of the trend that emerged in March. To resolve this, the coaching model has been revised to better address the root cause of call screening errors and enhance agent performance management.

Conclusion

Results for the third quarter reflect a steady-state performance of 90%. The quality monitoring effort supports root cause identification of agent errors and supports the PSE commitment to continuous improvement of the disconnection process.

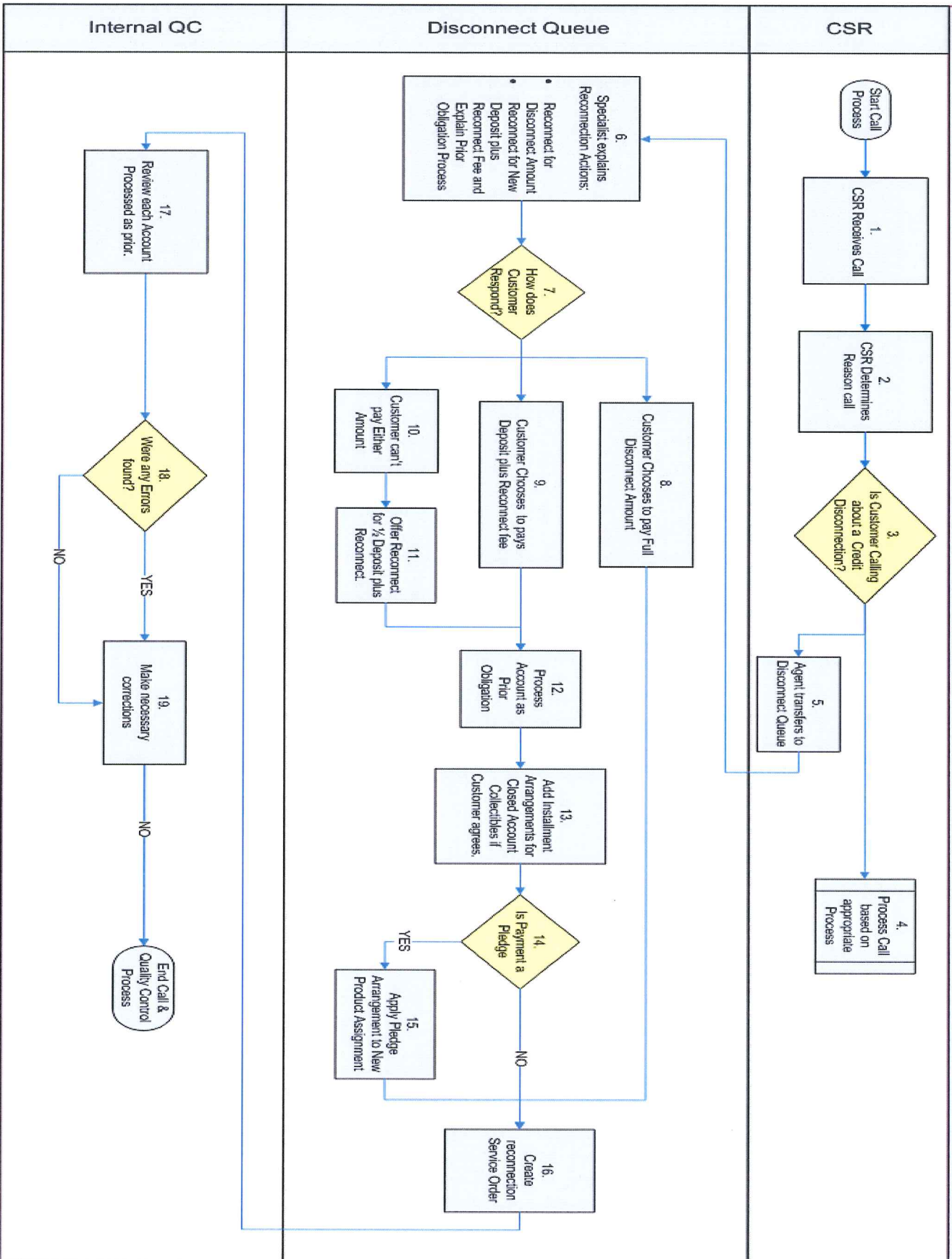
Appendix

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.



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

