WUTC DOCKET: UE-190529, et al EXHIBIT: AW-1T ADMIT ☑ W/D ☐ REJECT ☐

EXH. AW-1T DOCKETS UE-19\_\_/UG-19\_\_ 2019 PSE GENERAL RATE CASE WITNESS: ANDREW WAPPLER

### BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION, Complainant,

v.

**PUGET SOUND ENERGY,** 

Respondent.

Docket UE-19\_\_\_\_ Docket UG-19

#### PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF

**ANDREW WAPPLER** 

ON BEHALF OF PUGET SOUND ENERGY

#### **PUGET SOUND ENERGY**

## PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF ANDREW WAPPLER

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#### **PUGET SOUND ENERGY**

## PREFILED DIRECT TESTIMONY (NONCONFIDENTIAL) OF ANDREW WAPPLER

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Exh. AW-2 Professional Qualifications

Exh. AW-3 JD Power 2018 Electric Utility Residential Customer

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internal customer information.

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A.

Q. Please summarize the purpose of this prefiled direct testimony.

As PSE's Vice President, Customer Operations and Communications, my job is to listen to the voice of PSE's customers and to help PSE provide services that are consistent with customers' preferences. My testimony is intended to provide the PSE customer perspective on important issues being discussed in this case. First, I provide an overview of the utility customer experience and changing expectations of customers. Second, I discuss surveys that measure customer satisfaction with PSE and other utilities. I describe the progress PSE has made in improving its customer service performance in 2018 and the areas where more work is needed. Third, I highlight what PSE has learned through these surveys with respect to customer preferences for flexibility, choice and self-service when interacting with PSE. My testimony demonstrates that customers appreciate PSE's efforts to provide more flexible, self-service options that allow customers to interact with PSE—whether for payment, billing questions, outage information, or otherwise—at their preferred time and through their preferred channels.

## II. OVERVIEW OF THE UTILITY CUSTOMER EXPERIENCE AND CHANGING EXPECTATIONS

- Q. How has the utility customer experience changed over the past several decades?
- A. For decades, utilities viewed customers primarily as "ratepayers" rather than "customers," which at times led to complacency. Utilities relied on longestablished modes of communication and interaction such as postal mail for

billing and payment and voice telephone service for outage information and countless other common, high-volume service needs. This manner of doing business was, in its time, acceptable to our customers. Utilities were much like any other consumer experience from the 1950s to the 1990s: slow, dependent on paperwork, and often inconvenient. Regardless of whether a consumer was depositing a check, picking up airline tickets, ordering from a catalog or any other common need, it was no surprise to discover the bank closed at 3:00 p.m., the ticket counter was not open until Monday, and delivery would not be available for several weeks. While these traditional channels served consumers adequately for decades, most industries moved to a new paradigm beginning in the early 2000s. The new model leverages technology and offers customers speed, choice and flexibility.

#### Q. Have utilities adopted this new model of service?

A. Utilities have been slower to adopt this new model of service, but they are beginning to do so because customers want this change. Customers measure their satisfaction with their utility based on this model of service that permeates other industries and provides customers choice and flexibility. Today, the view of customers as merely ratepayers, and the dependence on outmoded service channels, are both rapidly becoming anachronisms with electric and natural gas providers focusing on better understanding and serving their customers.

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#### Q. Has customer satisfaction with utilities increased?

A. Yes. According to JD Power & Associates ("JD Power"), satisfaction among electric and natural gas utility customers increased more from 2012-2017 than those of consumers in any other industry sector of the 17 industries evaluated in JD Power's national studies.<sup>1</sup>

#### Q. Has customer satisfaction with PSE increased?

- A. Yes. Satisfaction among PSE's electric and natural gas customers improved significantly in both the residential and business segments during this time period, and PSE's gains outpaced its industry peers. PSE's progress can be seen in the JD Power survey results that I have provided as exhibits in this case (i) the Second Exhibit to the Prefiled Direct Testimony of Andrew Wappler, Exh. AW-3 (Residential Electric); (ii) the Third Exhibit to the Prefiled Direct Testimony of Andrew Wappler, Exh. AW-4 (2017-2018 Scorecards for Electric and Gas, Residential and Business).
- Q. Please elaborate on the performance of PSE and the utility industry in the JD Power surveys.
- A. As a whole, the nation's natural gas utilities improved their customers' satisfaction by approximately 100 points (on a 1,000-point scale) over the past five years, and the nation's electric utilities improved their customers' satisfaction

See Exh. AW-3 at page 8.

by an average of approximately 90 points.<sup>2</sup> PSE customers reported similar levels of improvements in their service experience during this time frame.

## Q. Where does the utility industry stand today in comparison with other industries?

A. Despite the previously discussed gains, the utility sector still trails many industries in meeting customer expectations, and further gains must still be made. Airlines, appliance retailing, automotive sales and service, credit cards, banking, hotels, insurance, and other common business sectors provide customers with more satisfying experiences than do utilities.

#### Q. Why does the utility industry continue to lag behind these other industries?

A. These other industries have made large advances through a wide range of actions, including offering greater consumer choice and value through rapid adoption of technology, in particular, through innovations related to online and mobile customer service and account management. Today, customers have unprecedented access to goods and services on a 24-hour, anywhere, anytime basis. The result has been a shift to a customer-driven, high-satisfaction environment into which utilities are only beginning to operate. Historically, utilities were reluctant to adopt new methods and technologies for customer service, and instead relied primarily on traditional forms of interaction and communication, such as paper bills and payment via postal mail.

<sup>&</sup>lt;sup>2</sup> See Exh. AW-3 at page 8.

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#### Q. What are utilities doing to increase customer satisfaction?

Through more carefully considering their customers' needs and listening to customers' changing preferences, utilities are leveraging the opportunity to improve efficiency and increase satisfaction. The result is a better experience for customers and greater value for their dollar, both for customers opting for technology-based self-service options and those choosing traditional channels. Utilities across the U.S., including PSE, are continuing to invest in an improved customer experience, including greater availability and choices in self-service options, so as to meet their consumers' rising expectations as based on their broader interaction with business of all types. At PSE, we believe these investments are desired by our customers and are necessary to meet their expectations of value, service and ease-of-doing business, and are aligned with their daily experience with whatever products or services they choose in their personal and professional lives. The Prefiled Direct Testimony of Margaret E. Hopkins, Exh. MFH-1T, and the Prefiled Direct Testimony of Joshua J. Jacobs, Exh. JJJ-1T, address steps PSE has taken to improve PSE's customer experience through the Get to Zero initiative. As discussed in their testimony, this six-year initiative is transforming the customer service experience with expanded and consistent digital self-service options, removing obstacles for customers, providing proactive communications, and quickly anticipating and solving problems before they occur.

## III. PSE'S EFFORTS TO MEASURE AND UNDERSTAND THE VOICE OF THE CUSTOMER

- Q. What steps does PSE take to measure and understand the voice of the customer?
- A. PSE participates in industry and customer surveys, primarily those conducted by JD Power. In addition, PSE measures service quality and customer satisfaction through certain of its service quality indices that are discussed in the Prefiled Direct Testimony of Booga K. Gilbertson, Exh. BKG-1T. My testimony focuses on the JD Power surveys.

#### Q. What is JD Power?

- A. JD Power is a nationally recognized leader in measuring and understanding customer satisfaction. Its customer satisfaction studies assess a wide-range of industries, including automotive, electronics, finance, healthcare, home, retail, telecom and travel through the use of customer surveys. Its studies of electric and natural gas utilities survey more than 28,500 business utility customers and 155,000 residential utility customers across the nation. The surveys were first conducted in the 1990s.
- Q. How do the JD Power surveys measure performance of the electric and natural gas utilities?
- A. In the natural gas surveys, customers are asked about their experiences and satisfaction with their local utility regarding the following key index factors: (i)

  Safety and Reliability, (ii) Billing and Payment, (iii) Price, (iv) Corporate

Citizenship, (v) Communications and (vi) Customer Service. In the electricity surveys, customers are asked about their experiences and satisfaction with their local utility with regard to the following key index factors: (i) Power Quality and Reliability, (ii) Billing and Payment, (iii) Corporate Citizenship, (iv) Price, (v) Communications and (vi) Customer Service. These factors<sup>3</sup> are weighted according to their impact on customer experience, and then combined to give an Overall Satisfaction score of up to 1,000 points. The surveys are conducted in multiple fielding periods annually. All utilities are assessed by JD Power independently, without input or oversight by the utility, with scores published regardless of whether the utility chooses to purchase access to the underlying survey data.

#### Q. Why does PSE use the JD Power surveys to measure its performance?

A. We believe having a full understanding of our customers' experience with PSE is important. By utilizing the JD Power surveys, we gain insights into how our customers view our service and into how our service benchmarks in comparison to other utilities across the nation. This gives us the ability to gauge our own individual progress over time and in relation to best practices in the industry overall.

The factors are each comprised of multiple attributes. For example, in the Power Quality and Reliability factor, the attributes are: (i) Supply of electricity in extreme temperatures; (ii) Promptly restore power after an outage; (iii) Provide quality electric power; (iv) Avoid brief interruptions; (v) Avoid lengthy outages; and (vi) Keep you informed about outage.

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Q. Please summarize PSE's customer service performance in 2018, as measured by JD Power.

A. According to JD Power's utility customer satisfaction surveys, in 2018, PSE performs above average in both the West region and nationally among combination electric and gas utilities. Table 1 shows PSE's performance in 2018, and compares that performance to PSE's performance in 2017, as well as to the regional and national 2018 average scores.

Table 1. PSE Performance Comparison to 2018 Regional and National<sup>4</sup> (Scale of 1000)

	2018 PSE SCORE	2017 PSE SCORE	2018 WEST REGION AVERAGE SCORE	2018 NATIONAL AVERAGE SCORE
Electric Residential	722	709	714	720
Electric Business	762	755	760	761
Gas Residential	740	734	734	737
Gas Business	812	797	795	794

<sup>&</sup>lt;sup>4</sup> See Exh. AW-4.

# Q. How does PSE's 2018 performance in the JD Power survey compare with prior years?

A. As shown above, PSE's performance in 2018 improved over its performance in 2017. Additionally, PSE's performance is much improved as compared to prior years, for example, in the 2010-2012 time period, when PSE ranked below average in the JD Power satisfaction surveys.

#### Q. What caused this dramatic turnaround?

A. This improvement is the result of an increased focus and investment on improved performance across all customer segments and on issues that are important to PSE customers such as providing outage information, timely problem resolution, and ease of access through telephone and website, among other things. The prefiled direct testimonies of Booga K. Gilbertson, Margaret F. Hopkins, Joshua J. Jacobs and Catherine A. Koch address steps PSE has taken to improve performance.

#### Q. What conclusions do you draw from PSE's performance on these surveys?

A. PSE's improved customer satisfaction scores align with the broader trends in both the utility sector and industry as a whole. PSE has made significant progress in customer experience but must continue to remain committed to further improvements. By providing increased options for account management, service and information, we are meeting our residential and business customers' desire for choices that are convenient, flexible and cost-effective. In addition, through investments in electric and natural gas infrastructure, we are delivering greater reliability, safety and value, but there is more progress to be made. While PSE's

performance in overall satisfaction has improved, it will remain essential for PSE to continue investing in both improved energy delivery and customer service if we are to meet the rising expectations of the residential and business customers in our service area and to address areas where performance lags.

### IV. ADDITIONAL INSIGHTS INTO CUSTOMER PREFERENCES

#### Q. What insights into customer preferences do the JD Power surveys provide?

- A. The JD Power surveys demonstrate that utility customers today are like those of any other company. Whether for residential or business use, they expect a product to be reliable, provide fair value, and be easy and convenient. The surveys show that consumers prefer flexibility and choice when interacting with their utility and a strong desire for self-service and on-demand interaction as compared to more traditional forms of interaction. PSE customers are no exception.
- Q. What evidence is there in the surveys to demonstrate that customers value self-service, choice and flexibility when interacting with PSE?
- A. PSE's score in the Residential Electric Utility Satisfaction Study improved significantly when PSE focused its efforts and investment on providing customers flexible, self-service options for interacting with the utility. Key drivers of this improved metric include online clarity of information; online ease of navigating website; online timeliness of problem, question or request resolution; and ease of understanding self-service interactive voice response ("IVR") phone menu instructions. In 2017, PSE was ranked by its customers in the fourth quartile in

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each of these metrics.<sup>5</sup> In 2018, after extensive deployment of PSE's modernized website, mobile and IVR technologies, customers ranked PSE in the second quartile among these attributes.<sup>6</sup>

#### Q. Do customers have a preference for technology-based services?

A. Yes. According to JD Power, customers prefer technology-based service as compared to traditional forms of service. This preference is seen in a number of common service interactions, including those related to power outages or other service interruptions and those related to billing, payment and account management.

#### A. Power Outage Communications

- Q. What preferences do customers demonstrate with respect to power outage communications?
- A. In power outage communications, customers have a marked preference for utilizing self-service technologies or proactive notifications from the utility as compared to traditional channels, such as the customer making a phone call to the utility. In the 2018 JD Power Residential Electric Utility study, PSE customers ranked their satisfaction with outage information channels on a scale of 1-10. As shown in Table 2 below, the self-service channels (including customers utilizing the utility's website map, mobile app and social media platforms) and proactive

<sup>&</sup>lt;sup>5</sup> See Exh. AW-4 at page 3.

<sup>6</sup> See id. at page 23.

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outreach channels (including automated phone calls, text messages and emails from the utility directly to the customer), ranked higher in satisfaction than the customer having to make a phone call to the utility.<sup>7</sup>

**Table 2. Customer Satisfaction With Outage Notification Channels** 

CUSTOMER SATISFACTION SCORE (OUT OF 10)
8.57
8.53
8.08
7.76
7.75
7.29
7.27
7.18
6.88
6.37
5.49

### Q. Is PSE providing its customers effective notification of outages through selfservice and proactive channels?

A. PSE has been working hard to deploy improved self-service and proactive technologies. In the 2018 Residential Electric Utility study, 93 percent of customers judged PSE's website and mobile outage map to be effective, as compared to 85 percent of West Large sector utility customers overall<sup>8</sup>. Further,

<sup>&</sup>lt;sup>7</sup> See Exh. AW-3 at page 11.

<sup>&</sup>lt;sup>8</sup> See id.

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in the 2018 study metric of "Keeping you informed about an outage," PSE received a second quartile ranking and a score of 6.98.9 This demonstrates significant improvement from 2014, in which PSE did not have an outage map or mobile app and ranked in the fourth quartile for West Large region utilities with a score of 5.70.

While the customer preference for proactive and self-service communications is clear, PSE still has work to do in meeting its customers' expectation and usage of the emerging channels. For example, while PSE's percentage of customers receiving proactive notifications (via text, email or automated telephone call) of 24 percent exceeds that national average of 15 percent, it still lags behind the best-in-class usage of approximately 50 percent.<sup>10</sup>

#### **B.** Power Reliability

- Q. Please describe PSE's performance on the JD Power attribute of power quality and reliability.
- A. PSE's customers experienced increased satisfaction from 2017 to 2018 with respect to the attribute of power quality and reliability in the JD Power Electric Utility Residential Satisfaction Survey, but there remains work to be done, especially with respect to the duration of power outages.

<sup>9</sup> See Exh. AW-3 at page 7.

<sup>&</sup>lt;sup>10</sup> *See id.* at page 11.

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#### Q. Please elaborate.

A. Overall PSE customer satisfaction in the JD Power attribute of power quality and reliability rose from a score of 754 (on a 1,000 point scale) in the 2017 Electric Utility Residential Satisfaction Study—a mark that put PSE below the average of its West Large region peers—to a score of 768 in 2018, exceeding the West Large region average of 763.<sup>11</sup>

#### Q. Why do you say that there remains work to be done?

A. PSE power reliability still trails many of its peers, with PSE's customer experience ranking only 89 of 138 utilities nationally. Customers clearly appreciate having more rapid, timely and accurate outage information, but they also desire fewer and shorter interruptions in their electric service. The survey tells us there is more work to do with respect to improving electric reliability for residential customers, as PSE's score for power outage restoration and duration remained in the fourth quartile nationally despite an outage communication ranking in the second quartile. 13

# Q. What steps is PSE taking to improve customer satisfaction with power reliability?

A. PSE is continuing to focus on improving reliability and preventing outages through replacement of high-molecular weight cables that are prone to failure,

<sup>11</sup> See Exh. AW-4 at pages 2, 22.

<sup>12</sup> See id. at page 22.

<sup>13</sup> See id. at page 23.

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remediation of the worst performing circuits that have longer and more frequent outages, and other work that is discussed in the Prefiled Direct Testimony of Catherine A. Koch, Exh. CAK-1T.

#### C. Billing and Payment Transactions

- Q. Based on the survey results, how do customers rate the various modes of billing and payment transactions?
- A. In general, customer satisfaction is significantly higher with automated, electronic channels of payment as compared to traditional methods such as paper check and postal mail. This result can be seen in the JD Power 2018 Residential Electric Satisfaction study that measured customer satisfaction with their overall billing and payment experience, through different channels. The results are shown below (on a 1,000 point scale) in Table 3:

**Table 3. Residential Electric Satisfaction - Billing and Payment Channels** 

BILLING AND PAYMENT CHANNEL	CUSTOMER SATISFACTION SCORE (OUT OF 1,000) <sup>14</sup>
Automatic deduction	824
Online payment via bank	786
Online payment via utility website	786
Mail	763
Telephone	752

<sup>14</sup> See Exh. AW-3 at page 15.

#### Q. What percentage of PSE's customers use paper billing and checks?

A. Only 23 percent of PSE customers in 2018 utilized paper billing and checks with 68 percent choosing automatic deduction or online payment and the remainder paying by telephone via credit card.<sup>15</sup>

#### Q. How does PSE compare to its regional peers in this area?

A. As PSE has added self-service capabilities, the overall satisfaction of its customers has increased, but the gains in customer experience have largely been matched by PSE's peers in the region and in the nation. This is a sign that the utility industry is moving to catch up with customer expectations. The investments made by PSE are part of a positive trend of broad improvements by natural gas and electricity providers.

#### Q. Please elaborate.

A. PSE's satisfaction scores in Billing and Payment have increased greatly over the period in which the utility has improved its website, mobile app and IVR service options. In 2012, when PSE offered few options beyond traditional channels, overall customer satisfaction with Billing and Payment was 700, with a third quartile ranking among West Large utilities in that area. In 2018, after several years of technology deployment and investment, the Billing and Payment score had risen to 783, with its ranking remaining in the third quartile among West

<sup>&</sup>lt;sup>15</sup> *See* Exh. AW-3 at page 15.

Large utilities.<sup>16</sup> This indicates that PSE is moving in step with the industry as a whole in meeting customer expectations but is not at the leading edge of this movement. PSE customers are having a better experience when paying their bills, but fortunately, so are customers of utilities across the West and across the nation.

## D. Satisfaction with Traditional Customer Service Channels Is Also Rising

- Q. What do the surveys tell us about customer satisfaction with more traditional channels of accessing PSE, such as by telephone?
- A. At the same time that technology is addressing the change in customer preference for self-service, it is important to note that PSE customer satisfaction with traditional customer service channels, including the telephone, is also rising over the same period. The JD Power Residential Electric Utility Satisfaction Studies from 2017 and 2018 demonstrate improvement in (i) the ability of customers to readily gain access to a customer service representative and (ii) the representative's ability to meet the customer's needs in the initial telephone call.
  - PSE performance in the metric measuring telephone "promptness of speaking to a person" ranked in only the third quartile nationally in 2017 but rose to the first quartile in 2018;<sup>17</sup>
  - PSE performance in the metric measuring telephone "timeliness of resolving problem, question or request" ranked in only the third quartile nationally in 2017 but rose to the second quartile in 2018.<sup>18</sup>

<sup>16</sup> See Exh. AW-4 at page 22.

<sup>&</sup>lt;sup>17</sup> *See id.* at pages 3, 23.

<sup>&</sup>lt;sup>18</sup> *See id.* 

Q. Do you have any further insights into the telephone response performance?

A. Yes. The increased performance in these metrics is due, in part, to the self-service options enabling increased timeliness and stronger performance by the customer service agent. Providing a self-service option helps to prioritize the use of customer service representatives for those calls requiring a live agent with an increased volume of simpler needs now being addressed through website, mobile or IVR options. In addition, the same technology infrastructure that enables web site, mobile app and IVR self-service also enables customer service representatives to more quickly access accurate and timely information and thus be able to serve customers more efficiently and effectively.

#### **E.** Customer Satisfaction by Demographic Groups

- Q. Do the surveys provide insights into customer satisfaction by demographic groups?
- A. Yes. While some might be tempted to correlate age demographics with adoption of technology and customer satisfaction, the data does not support such a conclusion. In the 2018 Residential Electric Utility study, JD Power found that satisfaction by age group among PSE customers was not significantly different, with the highest satisfaction scores coming from the oldest customers and the youngest customers.

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Table 4. Overall Satisfaction with PSE by Demographic Group<sup>19</sup>

OVEDALL SATISFACTION

DEMOGRAPHIC GROUP	WITH PSE (OUT OF 1,000)
Generation Y/Z (18-39 years)	736
Generation X (40-51 years)	708
Boomers (52-70 years)	719
Pre-Boomers (70+ years)	742

#### Q. How do these demographic groups interact with the utility?

A. Interestingly, each generation interacted with the utility in different ways: the youngest consumers were most likely to contact PSE by telephone and the oldest consumers were most likely to use automatic bill payment.

#### V. CONCLUSION

- Q. Does this conclude your prefiled direct testimony.
- A. Yes, it does.

<sup>19</sup> See Exh. AW-3 at page 50.