

Puget Sound Energy

Prior Obligation Quarterly Report
for the Quarter Ending September 30, 2012

October 16, 2012

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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 September 30, 2012.

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.

While the information provided in this report is prepared in a manner consistent with prior quarterly reporting submittals, it is important to note beginning April 16, 2012 PSE further refined its approach to the prior obligation processes. In an effort to further ensure compliance with the prior obligation rules, PSE determined that when a customer is disconnected for non-payment, the company would immediately close the customer's account as of the last billing date to provide a clear separation of the prior obligation balance. When the customer contacts the company for reconnection, the customer is provided a new account number, providing a clear separation of the prior obligation amounts from the current account.

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: Prior to April 2012, the process to exempt the prior obligation amount from the normal PSE Active Credit process was accomplished by closing the disconnected product assignment and opening a new one for the same location and fuel type. Effective April 16, 2012, this process was further refined and the new process involves immediately closing the entire statement account (all product assignments) when a customer has been disconnected for nonpayment. With the most recent process change, when service is disconnected for non-payment, the company will close the statement account and immediately process the account as prior obligation. By closing the statement level account, all services (product assignments) that the customer was being billed for prior to disconnection (i.e. gas, electric, leased equipment, etc) are closed. Any deposits that had been previously paid on the original account are applied and a final bill is issued for the net prior obligation amounts. Service is re-established on a new statement account and new deposits are charged for applicable services.

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 2012

Internal Quality Assurance (Self Audit) Results

Prior Obligation Audit Key Performance Indicator	September Performance	YTD Average
Residential Non-payment Disconnection Identified	100%	100%
Disconnect call transferred to Disconnection Queue	96%	97%
Customer offered reconnect for New Deposit	100%	98%
Customer offered reconnect for 1/2 New Deposit if applicable	99%	97%
Account Processed as Prior Obligation if applicable	100%	99%
Closed account Installment arrangements offered	97%	99%
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

Effective April 16, 2012, the credit disconnection process was revised to close the customer account once the credit disconnection is completed. This happens as the disconnection service order is completed, so the process no longer depends on a Customer Access Center agent call handling. As a result the Internal Quality Control review of all prior obligations is no longer performed. The Internal Quality Assurance process continues to ensure PSE's compliance in handling disconnected accounts and prior obligation balances.

Status of ongoing process improvement efforts:

Effective April 16, 2012, the credit disconnection process was revised to close the customer's statement account once the disconnection is completed. When the CSR receives the call, the customer is advised that their old account is closed and a new account is being opened. This process better aligns with the WUTC rules, resulting in immediate prior obligation treatment of the disconnected balance. It also reduces the opportunity for payment or pledge to be misapplied to the disconnection balance. During the month of June the new model delivered a performance of 100%. As a result, this additional audit has been discontinued.

Future Actions Planned by PSE:

The Quality Assurance team will continue to use the current process. Ongoing assessment of the process will capture any changes in performance and trigger corrective action.

Summary of Performance Management Actions

Agents Statistics

3rd Quarter 2012:

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:

- Continue to review the revised coaching model to identify areas for further improvement.
- Continue to 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.
- Continue to implement 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 by the Quality Assurance team immediately when mistakes are made. The coaching diagram includes educating the agent on the severity of the error and ensuring they clearly understand all potential

consequences. These coaching sessions are documented and reported to the Lead and Supervisor.

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:

Performance of the credit disconnect process exceeds the target score of 95%. PSE will continue to monitor the process and make improvements as necessary to drive performance closer to 100%.

Conclusion

Results for the third quarter reflect a consistent performance of 97%. 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. Effective with the further refinement to the prior obligation process,

the Quality Assurance Processes have been changed to ensure that the new process (i.e. nonpayment disconnect accounts are processed as prior obligation and a new statement account is established for the customer) are being followed as designed.