

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKETS UE-090704  
and UG-090705 (consolidated)

COMMISSION STAFF RESPONSE  
TO PUBLIC COUNSEL'S  
OBJECTION TO PSE CUSTOMER  
NOTICE

**I. INTRODUCTION**

1 The Consumer Protection and Communications Section (CPC Section) of the Washington Utilities and Transportation Commission (Commission) submits this response to the objections of Public Counsel to the proposed customer notice of Puget Sound Energy, Inc. (PSE or the Company). Public Counsel challenges PSE's decision to exclude from the customer notice: (1) a detachable customer comment card; and (2) a separate statement of the amount of the rate increase attributable to the requested increase in rate on equity.

2 The CPC Section does not share Public Counsel's objection to excluding a customer comment card. Sufficient methods for obtaining customer input are listed in the proposed notice. Those methods already exceed Commission rule requirements. The additional regulatory and ratepayer cost of a customer comment card is not justified.

3 In contrast, the CPC Section does object to the Company's proposed customer notice to the extent it purports to explain *all* reasons for the rate increase, but excludes the amount

related to the requested increase in rate of return. While the Company's approach may not violate Commission rules, it may mislead customers, contrary to the spirit of those rules.

4 A copy of the Company's proposed customer notice is attached.

## II. DISCUSSION

### A. A Customer Comment Card Is Unnecessary and Unwarranted

5 At the outset, it is critical to highlight the CPC Section's commitment to ensuring informed customer participation as a vital component of the Commission's rate-setting process. Indeed, the mission of CPC public involvement staff is to facilitate customer input by ensuring that Commission rules on customer notice are obeyed. Those rules require companies to include in their customer notices specific information regarding the rationale, timing and impact of a company's filing, as well as public involvement language that informs customers of the means by which they can comment on a proposed rate increase.<sup>1</sup>

6 The CPC Section also participates actively in discussions with companies and Public Counsel to ensure that the information required by rule is presented accurately and in a format that is clear and understandable to customers. As Public Counsel notes, the efforts of all parties in those discussions have been productive and successful on many prior occasions.<sup>2</sup>

7 Nevertheless, there are several reasons why the CPC Section concludes that a customer notice need not and should not include a customer comment card. First, PSE's proposed customer notice already invites customer participation through numerous methods that take into account customer preference or access. The notice lists the following means

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<sup>1</sup> Natural gas companies: WAC 480-90-194(4) and WAC 480-90-197. Electrical companies: WAC 480-100-194(4) and WAC 480-100-197. Public Counsel does not argue that the customer notice proposed by PSE in this case violates these Commission rules. He seeks no relief from the Commission through his objections.

<sup>2</sup> Public Counsel Objection at ¶ 3.

for customers to comment on the Company's requested rate increase:

- In person at one of the three public hearings scheduled in the case;
- Via the Commission web form: <http://www.utc.wa.gov/comment>
- By email at: [comments@utc.wa.gov](mailto:comments@utc.wa.gov);
- By toll free telephone at: 1-888-333-9882;
- In writing: UTC, P.O. Box 47250, Olympia, WA 98504-7250; and
- By fax: 360-664-4291.

(Attachment at 2.) These methods for customer comment exceed the requirements of Commission rule.<sup>3</sup> Each of these methods also results in documentation that is included in Public Counsel's public comment hearing exhibit.<sup>4</sup>

8           These existing methods, therefore, provide adequate and convenient opportunities for customers to comment and participate in the regulatory process. These existing methods are also adequate to inform the Commission of public sentiment. Indeed, Public Counsel himself does not argue that these existing methods are insufficient for customers to express their views or fail to educate the Commission on the impact its decision may make on real people. He argues only that the addition of a customer comment card would improve opportunities for customer input.<sup>5</sup>

9           Second, it is the experience of the CPC Section that the information contained in customer comment cards in prior cases is largely duplicative of information gathered through other means. While the cards may add to the raw number of comments received by

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<sup>3</sup> Electric: WAC 480-100-194(4)(j)(ii) or WAC 480-100-197(2)(b). Natural Gas: WAC 480-100-194(4)(j)(ii) or WAC 480-100-197(2)(b). Customer comment via the Commission's web site and toll-free telephone are not included in these rules, but are included in PSE's proposed customer notice.

<sup>4</sup> This is even the case for telephone calls. CPC Section staff documents the name, address and content of each call received by the Commission, and provides this documentation to Public Counsel.

<sup>5</sup> Public Counsel Objection at ¶ 15.

the Commission, they generally do not add content.

10 As the NW Energy Coalition recognizes, decisions in utility rate cases are not based on popular vote.<sup>6</sup> Rather, they are based on whether the proposed rates are “just, fair, reasonable and sufficient.”<sup>7</sup> The opportunities for public comment that PSE already includes in its proposed customer notice are sufficient for the Commission to gauge customer sentiment and inform its decision under that statutory standard. The addition of a customer comment card is unnecessary for that purpose.<sup>8</sup>

11 Third, the customer comment card advocated by Public Counsel will increase the cost of the customer notice itself. That increased cost ultimately would be passed on to ratepayers. Absent a showing that the card would provide real, incremental benefits to the rate-setting process, this additional ratepayer expense is not justified.

12 Fourth, the inclusion of a customer comment card will require CPC Section Staff to process the cards in addition to the customer comments received through all other methods. This will alter the workload of CPC Section staff that otherwise should be investigating and resolving customer complaints regarding the business practices of regulated companies.<sup>9</sup>

13 As the Commission is well aware, budget constraints require all divisions within the Commission to be vigilant in controlling the cost of regulation. The customer comment card advocated by Public Counsel would be an additional regulatory cost that would not be warranted.

14 Finally, Public Counsel notes that customer comment cards were included in the

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<sup>6</sup> NW Energy Coalition Comments at ¶ 4.

<sup>7</sup> RCW 80.28.010(1).

<sup>8</sup> For this same reason, it is unnecessary for the Commission to engage in the rulemaking on customer notice issues that is suggested by Public Counsel. Public Counsel Objection at ¶ 17.

<sup>9</sup> The problems the CPC Section encountered in processing customer comment cards in the Company’s 2008 general rate case and merger proceedings have not been fully remedied, contrary to Public Counsel’s understanding. Public Counsel Objection at ¶ 5. Technical difficulties electronically scanning cards are still encountered, which requires manual entry of customer information by CPC Section staff.

customer notices in the Avista, PacifiCorp and Northwest Natural Gas general rate cases in 2008, and in the pending Avista and PacifiCorp general rate cases.<sup>10</sup> In each of these cases, however, the company agreed to include the customer comment card. It was not the role of CPC Section to contest inclusion of the card in light of the company's agreement.

15           Moreover, PSE is a much larger utility than these other companies. The difficulties attributable to including a customer comment card in PSE's proposed notice are, therefore, exacerbated.

**B.     The Proposed Customer Notice Misleads Customers Because It Excludes a Separate Statement of the Rate of Return Impact**

16           PSE's proposed customer notice includes the following statement:

The electric revenue request (see pie chart) would recover costs or purchasing new electric generation resources, including the \$240 million Mint Farm Generating Facility acquired in December 2008 and an expansion of PSE's Wild Horse wind generation facility, *with the balance* attributed to investments in electric system infrastructure and power supply costs.

*The bulk* of the natural gas revenue request (see pie chart) can be attributed to recovering 2008 expenditures for infrastructure investments to improve reliability and serve new customers. (Emphasis added.)

The referenced pie chart for the electric rate increase includes components totaling the full amount of the requested increase (\$148 million).<sup>11</sup> However, none of the components address the increase in return to shareholders.<sup>12</sup> The referenced pie chart for the natural gas rate increase also includes components totaling the full amount of the requested increase (\$27.2 million).<sup>13</sup> Again, increasing shareholder return is excluded.<sup>14</sup>

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<sup>10</sup> Public Counsel Objection at ¶ 14.

<sup>11</sup> The components are "Generation Capital Investments", "Infrastructure Capital Investments", "Power Production Expenses", and "Distribution, Transmission and Other Expenses".

<sup>12</sup> Return to shareholders is excluded from the pie chart even though PSE describes the requested change in rate of return as a "major cause" of its revenue deficiency. Exhibit (JHS-1T) at 5:19-20 and 7:10-12. The change in rate of return contributes \$23.1 million to the revenue deficiency, according to PSE.

<sup>13</sup> The components are "Infrastructure Capital Investments" and "Distribution and Other Expenses".

17 The Commission’s customer notice rules require companies to include:

A brief statement of the reason(s) the utility has requested the rate change (e.g., increase in labor costs, recovery of new plant investment and increased office expenses such as postage and customer billing).<sup>15</sup>

The CPC Section does not argue that these rules require a company to state each and every reason for a rate increase. However, PSE’s statement does purport to list *all* reasons for its rate request, yet it excludes the request to increase shareholder return despite the significance of that element. Such an approach misinforms customers as to the reasons for the requested rate increase. It may even give customers the impression that no increase in shareholder return has been requested.

18 The Company may claim that the pie charts include the requested increase in rate of return because they refer to infrastructure and generation capital investments. Any such claim should be rejected. As the Commission’s rules acknowledge, an important purpose of a customer notice is to educate customers about the rationale and impact of a proposed rate increase. It is not faithful to that purpose to embed a significant item like shareholder return in other elements in an attempt to explain all reasons for a rate increase request.

### III. CONCLUSION

19 As stated at the outset, the CPC Section takes very seriously its commitment to facilitate informed public involvement in the rate-setting process for the benefit of both consumers and decision-makers. That responsibility is fulfilled through the six methods of public participation already listed in the customer notice proposed by PSE. Public

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<sup>14</sup> The requested change in rate of return is also described by PSE as a “major cause” of its natural gas revenue deficiency. Exhibit (MJS-1T) at 5:20 and 6:16-18. The change in rate of return contributes \$9 million to the revenue deficiency, according to PSE.

<sup>15</sup> WAC 480-90-194(4)(c) and WAC 480-100-194(4)(c).

Counsel's objections to the Company's decision to exclude a customer comment card are not well-founded.

20           In contrast, the CPC Section objects to the Company's proposed notice because it fails to identify the portion of the rate increase request attributable to an increase in rate of return. CPC Staff urges the Company to correct that deficiency before publication of its customer notice.

DATED this 2<sup>nd</sup> day of September, 2009.

Respectfully submitted,

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