**Exhibit No. \_\_\_ T (SVK-1T)**

**Docket U-110808**

**Witness: Steven V. King**

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,**  **Complainant,**  **v.**  **PUGET SOUND ENERGY, INC.**  **Respondent.** | **DOCKET U-110808** |

**TESTIMONY OF**

**Steven V. King**

**STAFF OF**

**WASHINGTON UTILITIES AND**

**TRANSPORTATION COMMISSION**

**May 3, 2012**

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**I. INTRODUCTION**

**Q. Please state your name and business address.**

A. My name is Steven V. King. My business address is 1300 S. Evergreen Park Drive SW, P.O. Box 47250, Olympia, WA 98504.

**Q. By whom are you employed and in what capacity?**

A. I am employed by the Washington Utilities and Transportation Commission as the Director of the Safety and Consumer Protection Division.

**Q. How long have you been employed by the Commission?**

A. I have been employed by the Commission for 29 years.

**Q Would you please state your educational and professional background?**

A. I hold a Bachelor of Arts degree from the University of Puget Sound in sociology and a Masters degree in Public Policy and Administration from the University of Washington. I have held five positions at the Commission in the past 29 years including 20 years of experience in different management roles. I have been the Commission’s senior manager responsible for safety and consumer protection for the past nine years.

**Q Have you prepared an exhibit describing your education, relevant employment experience, and other professional qualifications?**

A. Yes, I have. It is Exhibit No. \_\_\_ (SVK-2).

**II. DISCUSSION**

**Q. Please describe your role in the investigation related to Docket U-100182 and your understanding of the violations contained in the 26 accounts identified in the investigation report.**

A. The investigation in Docket U-100182 was part of a broader Staff investigation into how regulated energy companies were applying the Commission’s refusal of service rules, WAC 480-90-123 and WAC 480-100-123. As part of this, Staff reviewed a sample of account histories from each energy company to see whether it was correctly applying the rule to customers whose service was disconnected for non-payment. Docket U-100182 was one of five such investigations.

My role was one of overall supervision and review. I was involved in setting up the overall investigation. I also reviewed the investigation reports on the two companies, Avista Utilities (U-101169) and Puget Sound Energy (U-100182), against which the Commission initiated enforcement action.

The 26 accounts at issue in U-100182 were taken from a sample of customer accounts PSE provided in response to Staff’s data request in which Staff documented rule violations related to the Company’s incorrectly applying the Commission’s refusal of service rules. The 26 accounts represented approximately 15 percent of the 179 account histories reviewed by Staff as part of the investigation into PSE in U-100182. The rule violations included:

* Requiring customers to pay more money for reconnection than that permitted by Commission rules;
* Refusing to reconnect service until the customer paid all or part of the balance due and owing; and
* Improperly applying pledge monies from low-income agencies to the outstanding debt rather than to the current account thereby preventing customers from getting their service reconnected.

Compliance Investigator Rayne Pearson provides additional detail in her testimony regarding the violations documented by Staff in its investigation.

**Q. What was your understanding of how the account errors would be remedied as a result of the settlement agreement that was reached in December 2010?**

A. I understood the Company had committed to review the account histories of the 26 accounts identified in this investigation, go back and properly apply the Commission’s refusal of service rules, and make needed adjustments, if any, to the balance of each account, in order to make each affected customer whole.

**Q. What was your understanding of the requirement that PSE investigate these accounts “promptly?”**

A. It has been my experience that a company with the staff and resources available to it, such as PSE, would be able to complete such a review within a few weeks - certainly within a month. In my view, the nearly six months that elapsed -- from December 28, 2010, to May 20, 2011 -- when PSE filed its first quarterly report, did not constitute a prompt investigation of the 26 accounts.

**Q. What representations did PSE make at the May 3, 2011, meeting with Staff regarding the 26 accounts when the status of the first quarterly report was discussed?**

A. At that meeting, Company representatives made a presentation on the status of the compliance plan they agreed to undertake as part of the settlement in Docket U-100182, including the status of promised process improvements, quality assurance, staff training and internal communication and reporting. The Company representative making the presentation did not mention the account investigation, so I asked about the status of the Company’s report on the investigation of the 26 accounts.

At that point, the meeting participants took a break. I walked out of the meeting room and Tom DeBoer told me the investigation was complete and that the Company would submit its report “tomorrow.”

Tomorrow became “Friday,” and, after further conversation with Company representatives, Friday became May 20, which is when the Company submitted its document entitled “PSE 26 Account Review.”

**Q. When did PSE represent that the investigation into the 26 accounts was complete, and how did the Company submit that information?**

A. The Company represented that its investigation into the 26 accounts was complete in a filing with the Commission under Docket U-100182, which was dated May 20, 2011. The cover letter stated in part:

Enclosed for filing in the above referenced docket is Puget Sound Energy, Inc.’s first quarterly report regarding the continued implementation of the plan described in Attachment B to the Joint Motion to Accept Full Payment of Penalty; Require Investigation of Twenty-Six Specific Accounts; Require Continued Plan Implementation; and Terminate Proceeding (“Joint Motion”), dated December 16, 2010, and the corrective actions taken on the twenty-six accounts listed in Attachment A to the Joint Motion. [Emphasis added]

Along with the referenced quarterly report, PSE enclosed a table entitled “PSE 26 Account Review,” which is contained in Exhibit No. \_\_\_ (RP-4C) to Rayne Pearson’s testimony. Column number 6 of that table entitled *Analysis*, and column number 7 entitled *Resolution* purport to describe the actions the Company took with respect to each account. All the descriptions in the *Resolutions* column are in the past tense, indicating the action was completed. For example: “*5/20/11 … Customer payments reallocated to prior obligation balance.*” [from *Resolution* for Customer E]. “*5/20/11 Pledge monies reallocated to new product assignment.*” [from *Resolution* for Customer H].

**Q. Was it your understanding, based on the meeting with PSE in December 2010, that PSE was to investigate a “sample” of the 26 accounts in question?**

A. No. The first time I heard of an alleged agreement between Staff and the Company to review a “sample” of the 26 accounts was when I read the Company’s answer to this complaint. My understanding of the purpose of the Company’s investigation of the 26 accounts ordered by the Commission was to determine how each customer was affected by the Company’s misapplication of the refusal of service rules and then to have the Company make each customer whole, by, for example*,* restoring money owed to each account where appropriate.

When a company intentionally or inadvertently overcharges a customer, it is Staff’s long-standing practice to require the company to refund the money to the customer. It is Staff’s position that the incorrect application of the prior obligation rule had the same effect on the affected customer as if they had been overcharged by the company. With this as background, no useful purpose would have been served by having the company “sample” the accounts.

**Q. Did you expect to be notified of the results of PSE’s investigation into the 26 specific accounts?**

A. Of course. The review and correction of these accounts was a compliance action Staff requested and the Company agreed to. It is standard practice for Staff to document that a company completes all promised compliance actions in any enforcement action. PSE is well aware of this. This has been our practice for approximately seven years. During that time, the Commission has taken enforcement action against PSE five times.[[1]](#footnote-1) We have documented completion of promised compliance actions in each of those proceedings.

**Q. Do you believe that PSE intentionally misled Staff to believe that the accounts had been adjusted on or before May 20, 2011, as represented in the document “PSE 26 Account Review?”**

A. I do not know what else to conclude. The Company has not provided any explanation that fits with what I understand the facts to be. I read the Company’s May 20 submission referenced above including the actions described in the cover letter and resolutions documented in the “PSE 26 Account Review” table. The plain language of these documents is that the Company had completed the referenced actions.

Staff subsequently learned that the adjustments to the accounts described in these documents had not been made. Moreover, the account records later provided by the Company to Staff between June 2 and June 8, 2011, showed that account adjustments were not made until as late as 19 days after the May 20 filing and then only after Staff requested documentation of the account actions. Rayne Pearson discusses this in more detail in her testimony.

**Q. Is PSE’s description, stated in Mr. DeBoer’s direct testimony, Exhibit No. TAD-1T, page 6, lines 2-5, and Mr. Archuleta’s direct testimony, Exhibit No. GA-1T, page 8, lines 16-20, of Staff’s interpretation of PSE’s obligation “to investigate” accurate?**

A. Yes. Staff understood that PSE would reprocess each account and contact each customer regarding any prior obligation balance owed or outstanding credit on their account.

**Q. How do you believe PSE came to the conclusion that this was Staff’s interpretation?**

A. Staff’s interpretation, as described by PSE in both Mr. DeBoer’s and Mr. Archuleta’s testimony, came directly from the settlement agreement, Joint Motion, and Commission Order in U-100182.

**Q. Does this conclude your testimony?**

A. Yes.

1. The referenced dockets include:

   PG-041209, investigation of King County accident, 2005;

   PG-011624, investigation of gas explosion at residence, 2005;

   PG-060215, investigation of leak recordkeeping by Pilchuck Contractors, 2008;

   U-061239, investigation of disclosure of private customer information, 2006;

   U-100182, investigation of application of WAC 480-90/100-123, 2010. [↑](#footnote-ref-1)