

Agenda Date: August 12, 2010  
Item Number: A1

**Docket:** UE-100338  
Company Name: Puget Sound Energy, Inc.

Staff: Roger Kouchi, Regulatory Analyst  
Deborah Reynolds, Regulatory Analyst  
Travis Yonker, Compliance Investigator

### **Recommendation**

Grant, in part, and deny, in part, the petition filed by Puget Sound Energy for mitigation of penalties incurred, and order Puget Sound Energy to pay \$1,140,074 for failure to meet the Service Quality Index No. 3 benchmark for System Average Interruption Duration Index.

Grant, in part, and deny, in part, the company's request to exclude minutes from its 2009 results by excluding 8.1 minutes from its overall 2009 system average interruption duration index results.

### **Background**

Puget Sound Energy's (PSE or company) System Average Interruption Duration Index (SAIDI) requirement is part of its Service Quality Program (program) that includes a Service Guarantee component and a Service Quality Index (SQI) component. The program was originally implemented pursuant to dockets UE-951270 and UE-960195, the dockets merging Washington Natural Gas Company and Puget Sound Power & Light Company. The program provided for specific mechanisms to ensure customers would not experience deteriorating quality of service after the merger resulting from unwise cost cutting. The commission approved the program on July 31, 1997.

The company's SQI contains ten service-quality indexes that measure aspects of the company's customer service and quality of service such as customer satisfaction, emergency response times and outage duration. Each measure has a defined benchmark representing the company's required minimum (or maximum) performance. If the company's performance in any year fails to meet the benchmark, it must pay a penalty according to the program penalty calculation procedures.

The SAIDI is commonly used as a reliability indicator by electric power utilities. SAIDI is the average outage duration for each customer service. The duration of an outage starts when the outage is logged into PSE's tracking system and ends when the electric service is restored at the customer's meter. The basic process includes dispatch time, serviceman travel time, assessment and patrol time, material gathering time, work-site clearance time, repair and restore time, and, if needed, dispatch and travel time for additional crews. Timing, location, cause and scale of the outage, weather and traffic conditions, road closures, other emergency situations, and the number

of other outages in the area and in PSE's system all influence how fast an outage can be restored. The original benchmark of 136 minutes was intended to include all these situations.

Subsequent orders issued by the commission respective to the company's SQI have not amended the SAIDI; the benchmark set at an average of 136 outage minutes per customer per year excluding major events days<sup>1</sup> remains unchanged.

A process to allow mitigation of penalties imposed for failure to meet the SQI was established in February 1997 (14th Supplemental Order Accepting Stipulation, Approving Merger of consolidated dockets UE-951270 and UE-960195). The standard to be applied for such mitigation is that the penalty is due to unusual and exceptional circumstances for which PSE's level of preparedness and response was reasonable. PSE will not file a mitigation petition unless it believes, in good faith, that it meets this mitigation standard.

The company did not meet its SAIDI, SQI No. 3, in 2009 resulting in a penalty in the amount of \$1,340,074. On February 16, 2010, PSE filed a petition for mitigation of SQI penalties for its 2009 performance. The company stated that the penalties pertaining to SAIDI result, in part, from lack of safe access due to the circumstances caused by unusual and exceptional weather and subsequent hazardous events that occurred in early January 2009. PSE petitions to exclude nine SAIDI minutes from the reporting period which results in a corresponding penalty reduction of \$223,346.

## **Discussion**

Staff reviewed the petition and requested PSE provide additional information and clarification regarding certain aspects of its request. PSE provided additional information which led staff to conclude there may be sufficient reason to consider the access issues (i.e., avalanches, snow, mud slides, and flooding) experienced by the company in January 2009 to be unusual and exceptional. Specifically, PSE provided the following additional data: (1) Supplemental Response providing 206 page system operator logs from January 2006 – January 2009; (2) PSE's explanation of how it evaluated the information in the logs; (3) a summary of the access issues involving avalanches, snow, mud slides and flooding from January 2006 – December 2009; and (4) historical data showing all the outages experienced from 2006 – 2009.

Historically, PSE did not have a mechanism to extract outages that had access issues. PSE informed staff that it has only recently implemented a tracking mechanism in early June 2010. The company identified 461 incidents from 2006 – 2009 that contained one or more of the key words (snow, avalanche, slide, flood and wild fire). The company's outage management system found that 307 incidents resulted in a reported outage. PSE shared the following information in the course of staff's investigation.

1. There were 39 incidents from the 461 (2006 – 2009) incidents that had an access issue.

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<sup>1</sup> Major events are days when more than 5% of PSE's customers are out-of-service and which end when those customers' service is restored.

2. Twenty-five of these were identified in the company's petition for mitigation. Ten issues were from 2006 – 2009 excluding the twenty-five identified in January 2009.
3. Four incidents had access issues that did not affect SAIDI.

Staff's review determined the following:

1. The company, in its review of the outages with access issues, reasonably narrowed the number of incidents with access issues.
2. The penalties resulted, in part, from lack of safe access due to circumstances caused by unusual and exceptional weather.
3. Staff and PSE agreed that some of the smaller outages could be eliminated. Identification of unusual and exceptional access issues should continue to be reviewed case-by-case.
4. Staff and PSE agreed that the system operator logs need to be more detailed in specifying the exact time of the access issue, reason for the access issue, and the time that the access issue cleared.
5. Staff considered the standard to be applied for mitigation of the penalties and agrees that PSE met the standard due to unusual and exceptional circumstances for which PSE's level of preparedness and response was reasonable.
6. This does not restrict the commission from future actions to establish additional criteria which define unusual and exceptional.
7. Staff and PSE agree that consideration should be given to partially grant the company's mitigation petition in the amount of \$200,000 from the original \$223,346. This equates to excluding 8.1 SAIDI minutes from the company's overall 2009 system average interruption duration index results.

### **Conclusion**

Staff recommends that the commission grant in part and deny in part the petition for mitigation, and order the Company to pay \$1,140,074 for failure to meet the Service Quality Index benchmark for System Average Interruption Duration Index, SQI No. 3 for 2009. And, grant, in part, and deny, in part, the company's request to exclude minutes from its 2009 results by excluding 8.1 minutes from its overall 2009 system average interruption duration index results.