

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND
TRANSPORTATION COMMISSION,

Complainant,

v.

AVISTA CORPORATION d/b/a AVISTA
UTILITIES

Respondent.

DOCKETS UE-140188 and UG-140189
(*Consolidated*)

COMMISSION STAFF RESPONSE
TO AVISTA JUNE 1, 2015,
COMPLIANCE FILING

1 On May 29, 2015, the Avista Corporation d/b/a Avista Utilities (“Avista” or “Company”) submitted its compliance filing in the above-captioned dockets. The compliance filing intends to satisfy the Company’s obligations set forth in the Settlement Stipulation (“Stipulation”) entered into by the parties and adopted and approved by the Commission as a full settlement of the Company’s 2014 general rate case.¹ Despite the Parties’ fruitful dialogue, Staff cannot support certain tariff provisions filed by the Company and requests that the Commission either amend the contested tariff sections consistent with Staff’s comments² or consolidate these issues into the Company’s 2015 general rate case to be addressed in Staff’s direct testimony.³

¹ *Washington Utilities And Transportation Commission v. Avista Corporation d/b/a Avista Utilities*, Dockets UE-140188 and UG-140189 (*Consolidated*), Order 05, p. 24, ¶ 74 (November 25, 2014).

² For ease of reference, Staff has attached to this document a redline version of Avista’s proposed tariff filing as Exhibit A.

³ *Washington Utilities And Transportation Commission v. Avista Corporation d/b/a Avista Utilities*, Dockets UE-150204 and UG-150205 (*Consolidated*).

BACKGROUND

2 The approved Stipulation required Avista to file with the Commission particular tariff provisions covering the Company's "service quality metrics, customer guarantees and [performance] reporting" by June 1, 2015.⁴ To satisfy the Commission's Order 05, representatives of Avista, Staff, Public Counsel and the Energy Project (together referred to as "Parties") have met by telephone on numerous occasions to develop and negotiate service quality metrics, standards, customer guarantees and tariff language necessary to implement the Commission's directive. Staff's central objective in these meetings and negotiations has been to provide Avista's customers with similar service quality protections the Commission has already afforded the customers of Puget Sound Energy ("PSE") and Pacific Power & Light Company.

3 While the Parties have agreed on most of the tariff sections filed by Avista on May 29, Staff has reached an impasse with the Company on a number of issues that Staff believes are fundamental to the protection of Avista's customers. Staff's specific objections to the Company's proposed tariffs are set forth below.

I. AVISTA'S SAIDI AND SAIFI TARIFFS FAIL TO INCLUDE PERFORMANCE BENCHMARKS

4 Avista's proposed tariffs would only require the Company to *report* its System Average Interruption Frequency Index ("SAIFI")⁵ data and System Average Interruption

⁴ Dockets UE-140188 and UG-140189 (*Consolidated*), Order 05 at ¶¶ 9 and 74, referring to Appendix A.

⁵ SAIFI is an indicator of system reliability as measured by the frequency of outages. See *In the Matter of PacifiCorp and Scottish Power PLC*, Docket UE-981627, Eighth Supplemental Order at ¶ 4 (June 10, 2003) and Docket UE-981627, Ninth Supplemental Order (October 15, 2003).

Duration Index (“SAIDI”)⁶ data to the Commission.⁷ The Company’s tariff does not include performance benchmarks by which its calendar-year performance can be effectively measured and evaluated. To resolve this deficiency, Staff proposes that Avista’s SAIDI and SAIFI benchmarks be set at the Company’s Washington service territory five-year average immediately prior to the implementation of full decoupling - plus one standard deviation.⁸

5 Such benchmarks would establish a level of service the Commission finds appropriate for customers to realize a reasonable level of system reliability. Further, the benchmarks would allow the Commission to effectively measure the Company’s current system reliability performance against its historic performance prior to full decoupling in order to ensure that service to Avista customers does not deteriorate over time.

⁶ “SAIDI is the average outage duration for each customer service. The duration of an outage starts when the outage is logged into ... [the utility’s] tracking system and is ended 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 ... all influence how fast an outage can be restored.” *In the Matter of the Petition of PUGET SOUND ENERGY*, Docket UE-100338, Order 1 at ¶ 3, (August 12, 2010).

⁷ The referenced tariffs are filed under Schedule 85, Electric System Reliability, new sections 1 and 2.

⁸ Staff’s proposed benchmark is calculated as plus or minus one standard deviation of the mean of the five years of the Company’s annual SAIDI and SAIFI scores immediately prior to the implementation of full decoupling. The comparison of this benchmark to the rolling five-year average of annual SAIDI and SAIFI scores will show whether the Company maintains a consistent level of reliability over time.

The standard deviation measures the variation in or spread of the Company’s results. When data follow a normal distribution, approximately 68 percent of data values will be within plus or minus one standard deviation of the mean. Under the assumption that annual SAIDI and SAIFI scores follow a normal distribution, under the status quo a company’s SAIDI and SAIFI scores would be expected to fall within one standard deviation of the mean approximately two-thirds of the time. The benchmark that we establish here, that the Company’s rolling five year average SAIDI and SAIFI scores fall within plus or minus one standard deviation of the pre-decoupling mean, provides incentive for the company to maintain a high level of consistency in its reliability, and creates a mechanism for ensuring that the company’s level of reliability will not suffer under full decoupling.

Although weather is an influence for which the Company does not have control, its effects are minimized in this measure by excluding major event days. Furthermore, the Company has control over its vegetation management and pole replacement, among other operations. Therefore, Staff believes that a one standard deviation benchmark is a reasonable and informative target that is sufficient to account for events outside the Company’s control.

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Staff believes that implementation of full decoupling increases the risk that a company will allow its service to customers to deteriorate. Full decoupling effectively deprives a company of throughput as a source of additional revenue. As a result, a fully decoupled utility may be motivated to cut service and operating expenses in order to generate additional revenue. Such a result would likely have a negative impact on service quality and reliability. The benchmarks advocated by Staff would allow the Commission to take actions necessary to safeguard reliable electric service for Avista's customers.

**II. AVISTA'S CUSTOMER SERVICE MEASUREMENTS
MUST BE LIMITED TO WASHINGTON-ONLY RESULTS AND
MUST EXCLUDE RESULTS GENERATED BY ITS SERVICE
TERRITORIES IN IDAHO AND OREGON**

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Avista's tariff filing included a number of Customer Service Measures for its electric service business.⁹ Sections 1, 2, 4 and 5 of Avista's proposed tariff deal with customer satisfaction of services provided telephonically by the Company, customer satisfaction with services provided in the field, the speed in which a customer service representative answers customer calls, and the Company's average response time to system emergencies, respectively. The language in the Company's proposed tariff for its natural gas service business mirrors the language in the electric service business tariff.¹⁰

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Staff takes issue with tariff language that would permit the Company to meet the standards set forth in the tariffs by using results gleaned from its *entire* system, as expressed in measures 1, 2, and 5.¹¹ The performance of Avista's business operations in Idaho and

⁹ See May 29, 2015, tariff filing titled Schedule 85, Service Quality Measures Program, Customer Service Measures, sections 1-5.

¹⁰ See May 29, 2015, tariff filing titled Schedule 185, Service Quality Measures Program, Customer Service Measures, sections 1-5.

¹¹ Customer Service Measure 4 covers the speed in which a customer service representative answers customer call. For this measure only, Staff accepts that there is no discernable way for the Company representatives to screen Washington customer calls from other outside-the-state customers coming into its call center. Therefore, Staff accepts that this measure will apply to its entire service territory.

Oregon should not be used to satisfy an obligation established by this Commission specifically for the Company's performance *in Washington*. The efficacy of the Commission's performance incentives for Avista's Washington service territory can only be tested using Washington-based results. The results of the Company's performance in Idaho and Oregon are immaterial.

9 Based on discussions with the Company, Staff understands that Avista intends to pursue some method of disaggregating Washington's customer service results from the results generated by its operations in Idaho and Oregon. Hence, the added language in the tariff "... and if possible, [results] will be reported for Washington customers only."¹² While the Company may anticipate rectifying this problem in the future, the timing of any remedial action remains uncertain.

10 Staff recommends that the Commission require Avista to speedily disaggregate its system performance results, and adopt Staff's proposed redlined tariff edits, thus enabling the Commission to review the Company's Washington-specific results beginning January 1, 2016. If this is accomplished, the Commission would then have the relevant information needed to make an informed judgment on Avista's 2016 and future customer service performance.

¹² See May 29, 2015, tariff filings titled Schedule 85 and 185, Service Quality Measures Program, Customer Service Measures, sections 1, 2, and 5 (Emphasis added).

III. AVISTA'S CUSTOMER SERVICE GUARANTEES FOR NATURAL GAS SERVICE CUSTOMERS SHOULD BE SIMILAR TO THE GUARANTEES PROVIDED ELECTRIC SERVICE CUSTOMERS

A. Initiation of Natural Gas Service

11 Avista's proposed electric service tariff provides that it "will switch on power within one business day of the Customer or Applicant's request for service."¹³ This same guarantee is not provided natural gas service customers. Staff believes the Company should implement a natural gas customer guarantee that promises to restore natural gas service within 24 hours of a request by a customer, and to offer an appointment within one business day, or as soon after as reasonably possible but no later than seven days, to a new applicant.¹⁴ For customers that have been disconnected, the Company is required to restore service within 24 hours after the customer has fully paid the Company per WAC 480-90-133. When the Company receives a request for new service, and also consistent with WAC 480-90-133, the Company should be expected to schedule an appointment and switch on gas service in a timely manner. Because the Company must reach a customer and then schedule an appointment to enter the customer's home, Staff recognizes that there should be exceptions to the "one business day" rule for new customers. Consequently, Staff recommends including the same exceptions contained in the electric service guarantee for Avista's natural gas service customers.

B. Application of Penalties to Customer Service Measures

12 Staff commends the Company for agreeing to voluntarily implement Customer Service Guarantees with bill credits. Unfortunately, the Parties could not reach agreement on a penalty mechanism to enforce the Customer Service Measures nor the Electric Reliability

¹³ *Id.* at section 3.

¹⁴ See Staff redline edits at the bottom of page 2, Customer Service Guarantee 2.

Measures. As a result Avista's tariff filing does not yet include a penalty mechanism tied to those aspects of the Company's performance. Staff believes that a penalty mechanism is necessary to ensure that the Company's performance remains within reasonable parameters set by the Commission. As noted above, this is particularly important in light of the potential risk to service quality and reliability presented by full decoupling.

13 In the 1997 merger case involving PSE and Washington Natural Gas Company, the Commission addressed a potential risk to service quality by approving a penalty mechanism as part of a settlement agreement.¹⁵ In that case, Staff agreed with Public Counsel that the merged company "... will have an incentive to cut operations and maintenance expenses ... to increase revenues and profits."¹⁶ To address the risk, the Commission adopted a settlement of the parties that included provisions for a service quality guarantee, a service quality index and agreed upon penalties should the merged company's service quality performance fall below specified benchmarks.¹⁷ Staff is concerned that a similar risk is presented here with the Company's adoption of a full decoupling mechanism and the lack of throughput to generate additional revenue.

14 To be clear, Staff is not advocating for the adoption of service quality penalties in this proceeding. However, Staff requests that the imposition of service quality and reliability penalties be consolidated into Avista's 2015 general rate case to be addressed in Staff's testimony.

¹⁵ *Re: Puget Sound Energy and Light Company*, 176 PUR 4th at p. 246 (February 5, 1997). See also *Re: Puget Sound Energy and Light Company*, Docket Numbers UE-951270 and UE-960195 (*Consolidated*), 14th Supplemental Order.

¹⁶ *Id.* at p. 246.

¹⁷ *Id.* at pp. 275-276.

IV. CONCLUSION

15 Staff appreciates Avista's efforts to reach agreement with Staff and other interested parties on the establishment of important service quality measures for Avista's customers. However, it is clear that differences exist between the Company and Staff on the issues identified above. As relief, Staff requests that the Commission either amend these tariff sections consistent with Staff's comments or consolidate them into the Company's 2015 general rate case to be addressed in Staff's direct testimony. Staff also requests that issues related to service quality and reliability penalties be consolidated into Avista's 2015 general rate case. These issues will then be addressed in Staff's testimony.

16 Finally, the Company should commit to paying any customer guarantees resulting from its service quality-related performance with shareholder funds. While such a commitment is not controversial, Staff simply seeks to bring the issue to the Commission's attention.

17 For clarity as to Staff's proposed amendments to the Company's tariff filing, Staff has attached a red-line version of Avista's tariff filing marked as Appendix A.

Dated this 10th day of June, 2015.

Respectfully submitted,

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