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June 10, 2015

VIA UTC WEB PORTAL

Mr. Steven V. King
Executive Director
Washington Utilities & Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P. O. Box 47250
Olympia, WA 98504-7250

Re: UE-140188 & UG-140189, Avista proposed Service Quality Program and accompanying tariffs

Dear Mr. King:

In Order 05 in the above-referenced dockets, the Commission approved a settlement that resolved Avista's 2014 general rate case. The settlement directed Avista, Staff, and interested parties to meet to develop and implement appropriate service quality metrics, customer guarantees, and reporting, with proposed tariff revisions to be filed by Avista by June 1, 2015. Avista filed proposed tariffs as a compliance filing on May 29, 2015. Pursuant to the Commission's Notice of Opportunity to Respond to Compliance Filing, Public Counsel respectfully provides this response to Avista's compliance to implement a service quality program.

For the past several months, representatives of Avista, Commission Staff, Public Counsel, and The Energy Project convened in an effort to develop a comprehensive service quality program for Avista. The group reached consensus on several issues, but some outstanding issues do remain, as discussed herein.

Background

Collaborative discussions among all parties began with an initial meeting on March 4, 2015. The testimony of Staff witness Bradley Cebulko filed in this docket served as an important foundational document that helped guide our collaborative discussions. The areas where the parties reached agreement, as reflected in Avista's May 29, 2015 service quality program tariff filing, include the following components described below.

ATTORNEY GENERAL OF WASHINGTON

To: Mr. King
Re: UE-140188 & UG-140189, Avista proposed Service Quality Program
and accompanying tariffs
June 10, 2015
Page 2

Customer service measures. The program includes six customer service measures, whereby Avista will report its performance annually as compared to established benchmark or baseline levels. Four of these measures pertain to both the electric and natural gas operations (customer satisfaction with telephone contact center, customer satisfaction with field services, complaints filed with the UTC, and percentage of calls answered by a live representative within 60 seconds). The fifth measure establishes that the Company's average response time to an electric system emergency in Washington will not exceed 80 minutes for the calendar year. The sixth measure establishes that the average response time for natural gas system emergencies in Washington will not exceed 55 minutes for the year.¹

Electric reliability. Avista will report its electric reliability performance as measured by the System Average Interruption Frequency Index (SAIFI) and the System Average Interruption Duration Index (SAIDI). The parties had substantial discussion on this topic and reviewed Avista's performance and data to examine trends and causes for outages. As discussed below, the parties did not reach agreement on an appropriate benchmark or baseline level of performance. Instead, Avista will report its annual performance in comparison to the Company's historic five-year rolling average of SAIFI and SAIDI.

Customer guarantees. We are pleased the Company has agreed to provide automatic credits to customers in the event they experience certain service quality failures, such as a missed appointment. Certainly, Avista intends to provide consistently high levels of service to its customers, but in the event some customers experience service below certain excellence guarantees in a variety of areas, they will receive a credit of \$50. For electric customers this guarantee applies to missed appointments (in AM or PM time window),² restoring service within 24 hours, switching on power within one business day, providing cost estimates within 10 business days, responding to billing inquiries within 10 business days, investigating meter problems and reporting results within 20 business days, and providing at least 24 hour notification of scheduled outages. For natural gas customers the guarantee applies to missed appointments (in AM or PM time window), providing cost estimates within 10 business days, responding to billing inquiries within 10 business days, and investigating meter problems and reporting results within 20 business days.

¹ Additional details and exceptions for the measures are set forth in tariff, Schedule 85 (electric) and Schedule 185 (natural gas).

² As shown in the proposed tariffs, the time windows are 8:00 am to 12:00 pm (AM) and 12:00 pm to 5:00 pm (PM). The parties recognize that in several sectors a two-hour appointment window is given to customers. Public Counsel understands that Avista will conduct further research on this issue going forward, to determine whether a two-hour appointment window could be phased in for its electric and natural gas operations.

ATTORNEY GENERAL OF WASHINGTON

To: Mr. King
Re: UE-140188 & UG-140189, Avista proposed Service Quality Program
and accompanying tariffs
June 10, 2015
Page 3

Report card. Importantly, the program includes an annual report card to customers outlining the Company's performance for the prior year. The initial report card will be mailed by July 31, 2016, describing performance in calendar year 2015. Avista has agreed to provide a draft copy of the annual report card to Commission Staff and Public Counsel with a meaningful opportunity for review and comment.

Clarifications

In reviewing the Company's filing letter and accompanying tariffs, we identified two areas where clarifications would be appropriate, either through slight modifications to the tariff language, or pursuant to a Commission order.

Customer guarantee credits borne by shareholders. In reviewing Avista's cover letter and draft tariffs, we recognize the filing does not contain an explicit commitment that the customer guarantee payments would be borne by shareholders rather than ratepayers. Public Counsel understands this to be the intent of the full group, and accordingly, we would recommend that either the Commission order provide clarification of this point, or the tariff language should be modified to reflect this understanding.

Customer service measures – Washington data. The proposed tariff schedules currently state that with respect to customer service measures one and two (customer satisfaction with telephone service and with field services, respectively), Avista will report data for Washington customers "if possible"³ (as distinct from the system-level data, which reflects performance for Avista's Washington and Idaho service territories). As Avista was preparing its filing, the parties asked whether the Company would also be able to report Washington level data for these two measures. Public Counsel's understanding is that Avista will be able to report this Washington specific data and thus the provisional language in the proposed tariff can be replaced with an affirmative commitment to report this data. The Washington data is for informational purposes, and the company's performance will be measured using the system data (Washington and Idaho) because that data will be statistically significant.

³ Schedule 85, Customer Service Measures 1(c) and 2(c), and Schedule 185, Customer Service Measures 1(c) and 2(c).

ATTORNEY GENERAL OF WASHINGTON

To: Mr. King
Re: UE-140188 & UG-140189, Avista proposed Service Quality Program
and accompanying tariffs

June 10, 2015

Page 4

Outstanding Issues

From Public Counsel's perspective, there are three major areas upon which the parties were not able to reach agreement, as described below.

Penalties or Incentive payments. The parties did not reach agreement on the issue of self-executing penalties or incentive payments in the event Avista's service quality performance falls below benchmark levels. This remains a strong interest of Public Counsel, as we believe such programs provide meaningful incentives to the utility to maintain high levels of service quality.

Reliability metric benchmark is needed. The parties were not able to reach consensus on an appropriate benchmark for electric reliability. Avista will report its performance as compared to a rolling 5-year average (SAIDI, SAIFI). This is an area that will benefit from further analysis, with the goal of establishing an appropriate benchmark against which the Company's performance can be measured.

Customer guarantee for requests for natural gas service. The proposed customer guarantee program includes a measure for its electric operations whereby Avista agrees to switch on power within one business day of the customer or applicant request (pursuant to certain exceptions and requirements as set forth in Schedule 85). The parties did not reach agreement on a similar guarantee for requests for natural gas service, however. This may be a topic of consideration in the future when the program is under review.

ATTORNEY GENERAL OF WASHINGTON

To: Mr. King
Re: UE-140188 & UG-140189, Avista proposed Service Quality Program
and accompanying tariffs
June 10, 2015
Page 5

Conclusion

Public Counsel is very appreciative of the time and effort devoted by all parties to better understand these important service quality issues. We are pleased that agreement has been reached to implement a service quality program composed of customer service measures, customer guarantees, and an annual report card to customers. We recognize that some outstanding issues remain, as described in our comments, but we are thankful for the commitment and collaboration of all parties on this topic.

Sincerely,



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