**EXHIBIT NO. ___(SML-16T)**
**DOCKET NO. UE-072300/UG-072301**
**2007 PSE GENERAL RATE CASE**
**WITNESS: SUSAN MCLAIN**

**BEFORE THE**
**WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

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| **WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION,**<br><br>**Complainant,**<br><br>**v.**<br><br>**PUGET SOUND ENERGY, INC.,**<br><br>**Respondent.** | **Docket No. UE-072300**<br>**Docket No. UG-072301** |

# PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF SUSAN MCLAIN ON BEHALF OF PUGET SOUND ENERGY, INC.

**JULY 3, 2008**

**PUGET SOUND ENERGY, INC.**

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF SUSAN MCLAIN**

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**PUGET SOUND ENERGY, INC.**

**PREFILED REBUTTAL TESTIMONY (NONCONFIDENTIAL) OF SUSAN MCLAIN**

## I. INTRODUCTION

**Q. Are you the same Susan McLain who provided prefiled direct testimony in this proceeding on December 3, 2007, on behalf of Puget Sound Energy, Inc. ("PSE" or "the Company")?**

A. Yes. On December 3, 2007, I filed direct testimony, Exhibit No. ___(SML-1CT), and fourteen exhibits supporting such direct testimony, Exhibit No. ___(SML-2) through Exhibit No. ___(SML-15).

**Q. Please summarize your rebuttal testimony.**

A. PSE is committed to providing quality customer service. Part of this commitment involves (1) anticipating and responding to customer concerns and (2) measuring and achieving quantifiable service quality goals. Overall, the Company has provided a high level of customer service and has met or exceeded the vast majority of its service quality indices since their inception more than ten years ago. However, there are two areas in which the Company has not met its own high standards of customer service. My testimony addresses these issues and responds to Commission Staff's, Public Counsel's and intervenors' testimonies by proposing methods for recognizing and remedying PSE's customer service and

operations concerns.

First, a small but significant percentage of PSE's electric and gas meters currently indicate failure as a stopped meter. Many of these stopped meters have required PSE to estimate usage and have resulted in delayed customer bills. PSE does not take such measures lightly and is keenly aware of the hardships that such retroactive billing can have on a customer. Ms. Booga Gilbertson will explain in detail PSE's investigations as to the cause of these meter issues and PSE's initiated remedies. PSE is confident that recently implemented and planned improvements will remedy the Company's metering and billing issues. Over the last six months, PSE has made measurable progress in reducing the inventory of back bills.

Second, PSE failed to meet its goal for one of its service quality indices ("SQI") for a second year in a row. This is unacceptable to the Company, and my testimony proposes a thorough and large scale review of both PSE's performance with regard to the SQIs, and the SQIs themselves. Commission Staff, the Energy Project and Public Counsel all requested modifications to PSE's SQIs in their testimonies. PSE believes the parties' desire to modify the SQIs reflects a consensus that the current SQIs should be reviewed and potentially modified to reflect changing customer expectations.

As discussed in my direct testimony, Exhibit No. ___(SML-1CT), the Company faces significant expenditures over the next several years in order to provide

responsive customer service, maintain system reliability, replace aging infrastructure, meet compliance requirements and address PSE's aging workforce challenges. The Energy Project, Public Counsel and Commission Staff would add to these costs by asking for even higher levels of service and enforcing these new standards with higher levels of penalties associated with SQIs. PSE is interested in working collaboratively with the parties to establish appropriate service metrics based on customer priorities. The Company fully supports Commission Staff's initiative to establish service metrics that are relevant, actionable and provide transparency into PSE's customer service response.

Specifically, my rebuttal testimony addresses (1) Commission Staff's, the Energy Project's and Public Counsel's recommendations regarding operations and service quality, (2) the Energy Project's and Public Counsel's ("Joint Parties") criticisms of PSE's system reliability, (3) PSE's concerns and recommendations related to its own service quality performance, (4) the Federal Executive Agencies' ("FEA") proposal for spreading wire zone vegetation management costs, and finally, (5) the erroneous assertion made by Public Counsel that changes to PSE's vegetation management practices will affect the depreciation life of overhead conductors.

## II. SERVICE QUALITY INDICES

**Q. Please describe the environment in which changes to current customer service levels would be made if PSE were to implement new or modified service quality measures.**

A. Identifying a meaningful set of customer service measures is critically important to PSE. Each measure indicates activities in areas where PSE will focus time, energy, and financial and human resources. Because such resources translate into costs and ultimately the rates customers are charged, it is essential the Company ascertain customers' interests and perceived value for the services to be measured. For example, customers may have an acceptance of call-wait times exceeding 30 seconds for non-emergency phone calls, but have a stronger desire for specifically scheduled times for non-emergency field service appointments. These customer values may warrant a shift in the Company's limited resources to pursue customer service improvements in the area of scheduling customer field service appointments, rather than focus on shortening the call-wait time.

PSE operations contend with regional growth, aging infrastructure, evolving federal and state safety and reliability compliance requirements, maintaining and improving the customer experience, and aging workforce challenges. It is vital that these widely varying and sometimes competing matters be considered holistically. For example, the intent of federal legislation involving electric reliability standards is to improve reliability of the national electrical grid through

the creation of mandatory and enforceable standards – to ensure that the blackout that took place in the Northeast in 2003 would not be replicated elsewhere. PSE currently designates significant resources to address compliance activities relative to achieving these standards. To redirect existing personnel away from this electric reliability activity or to add more customer service initiatives without careful consideration to what customers actually value, the Company could inadvertently spread existing resources so thinly that neither initiative is met.

It is within the context of competing customer values and limited resources that essential views of interested parties be discussed. Such discussion would define the desired customer experience, determine the appropriate measure for a particular desired result, ascertain the resources needed to develop the measurement processes and gather the data, establish the appropriate penalties or rewards for achievement, and quantify the financial resources needed to attain such goals.

Agreeing to well-intentioned but not fully vetted proposals by the Joint Parties and Commission Staff may not be in PSE's customers' best interest. As discussed in a report commissioned by The Detroit Edison Company in cooperation with the Michigan Public Service Commission Staff, "*Service Quality Regulation for Detroit Edison: A Critical Assessment*," preferences differ among customers, as do their willingness to pay for quality. Please see Exhibit No. ___(SML-17) for a copy of The Detroit Edison Company report.

In the competitive marketplace firms can differentiate both quality and price to meet various customer preferences. However, the same forces are not operative in a regulated marketplace. The report elaborates on the potential risk of establishing "stretch" goals in regulated service quality metrics, as they may not be in the collective customers' interests, since the collective customer base may not be willing to pay for these higher levels of service.

**Q. Do you agree with the recommendations proposed by the Joint Parties and Commission Staff relative to the Service Quality Indices ("SQI")?**

A. As described above, without sufficient and reliable input from customers, it is difficult to determine whether or not the recommendations proposed by the Joint Parties and Commission Staff are the highest priority customer service initiatives when cost and service quality are considered. PSE welcomes the opportunity to work collaboratively with parties to obtain this needed input from customers and to develop SQIs that customers genuinely value. I do agree with Commission Staff and the Joint Parties that there are opportunities to improve the customer's experience with PSE. However, these improvements should be based on customer priorities and balance the relationship between service quality and cost.

For example, both the Joint Parties and Commission Staff recommend adopting a quarterly metric whereby 75% of customer calls should be answered within 30 seconds.[1] As would be expected, the Company experiences higher call volumes

[1] *See* Exhibit No. ___(BRA-1TC), 32:16-18 and Exhibit No. ___(RK-1T), 11:11-13.

during the winter months when there is a greater likelihood of electric system outages and when a natural gas furnace breakdown is more likely to cause discomfort and inconvenience. Both the Joint Parties and Commission Staff pointed out this seasonal fluctuation, but neither examined whether or not customer satisfaction would increase with this change. Additionally, cost is an important element, and appropriate safeguards should be considered so that customers are not burdened with costs that outweigh benefits.

Both Commission Staff and the Joint Parties point out that only 39% of PSE's calls were answered within 30 seconds in January 2007 and only 48% were answered in 30 seconds in February 2007.[2] This is in contrast to the percentage of calls answered within 30 seconds during the later spring and summer months, which typically exceed 90%. However, during the winter months, the periods with longer call-wait times, customers nonetheless give PSE high call center customer satisfaction scores, as demonstrated in Exhibit No. ___(SML-18). PSE estimates that it may cost over $5 million per year to hire, train and provide equipment for additional staff to address the seasonal fluctuation of calls. If this is what customers truly want, then PSE is interested in modifying its practices. However, to spend $5 million per year without understanding if customers genuinely value this higher level of service may be excessive.

[2] *See* Exhibit No. ___(BRA-1TC), 31:10-12 and Exhibit No. ___(RK-1T), 11:2.

**Q. What is PSE's viewpoint surrounding SQIs?**

A. PSE is a strong believer in the value of identifying and using meaningful, actionable measures and metrics as a way of focusing employee attention to provide the desired level of customer service. The SQIs are critical measures that reflect the requirements of our customers. PSE believes that the best service quality measures are those that provide clear feedback to the Company, to industry stakeholders, and to the public regarding the Company's performance in meeting customers' needs, values and expectations. However, the proposals by the Joint Parties and Commission Staff, in the absence of a collaborative discussion between all parties, have not taken into consideration a variety of critical factors, such as costs, benefits and customer priorities.

**Q. Please address each proposal made by the Energy Project, Public Counsel and Commission Staff.**

A. PSE's comments regarding SQI proposals are provided below.

**A. <u>Call Abandonment</u>**

The Joint Parties recommend that PSE be required to report on its monthly and annual call abandonment rate and busy out rate as part of its annual SQI report. PSE is willing to report this information in its annual SQI report filing.

## B. Adopt Quarterly Call Answering Benchmarks

Both the Joint Parties and Commission Staff recommend adopting a quarterly metric whereby 75% of the customers calls should be answered within 30 seconds. This recommendation is discussed above. Because there does not appear to be a correlation between call-wait times and customer satisfaction, as shown in Exhibit No. ___(SML-18), PSE has concerns whether changing the measurement to a quarterly basis will address customers' priorities. PSE is interested in discussing this SQI further.

## C. Adding New Customer Construction Services into the Field Services Customer Satisfaction SQI

Both Commission Staff and the Joint Parties recommend that new customer construction services performed by PSE's contractors be added into the Field Services Customer Satisfaction metric.[3] PSE has measured satisfaction with new customer construction activities since prior to the outsourcing of this work to its contractors. The performance levels were established using this information, and in 2007 the customer satisfaction benchmark was increased from 75% to 78% for Quanta/Potelco. However, there are significant differences in the type of customers and services provided in the current field services customer satisfaction SQI versus the SQI that is proposed. *See* Exhibit No. ___(SML-19).

[3] *See* Exhibit No. ___(BRA-1TC), 35:18-20 and Exhibit No. ___(RK-1T), 13.

For example, to a large degree, the customers whose satisfaction would be measured are not residential customers but builders and developers for whom new customer construction work is performed. The builder/developer community works with a wide variety of utilities, including a number of different electric utilities with differing public policies associated with whom should pay for growth. PSE suspects that a builder's level of satisfaction may be linked to the different cost drivers based on state, county, city and/or other utility's requirements, and is not based strictly on the quality of service provided by PSE or its contractor. Changes to the Company's line/main extension and service line tariffs (so that builder contributions are no longer required) may affect customer satisfaction scores more so than changes in performance by PSE's contractors carrying out this work.

The Company has also found that approximately 14% of the new simple service customer construction jobs are "red tagged," meaning that PSE's contract crew is unable to complete its work, and the job must be rescheduled because the builder has not performed the prerequisite work. A red-tagged job may delay the builder's project, which could reduce the builder's level of satisfaction with PSE, even though the problem may lie with the builder itself rather than PSE.

The customer construction satisfaction scores are currently reported to the Commission in PSE's Service Quality Program – Service Provider Report. Combining new customer construction satisfaction with customer satisfaction on other field services may not best serve customers because the lack of granularity

of information for the specific type of service and particular type of customer would hamper PSE's ability to focus on the real drivers of customer satisfaction for these very different types of service. Benchmarks should be considered that properly measure and address these significant issues and PSE is willing to discuss this further with interested parties.

## D. Penalties in Outside Contractor Agreements to be Linked to Customer Satisfaction Targets

Currently, when PSE's new customer construction contractors fail to meet an established customer appointment date, they are responsible for paying to PSE the corresponding $50 customer guarantee payment, which in turn is paid to the customer. The Joint Parties recommend that PSE be required to include penalties in its outside contractor agreements so that the failure to meet customer satisfaction targets becomes linked to payments to the contractors. *See* Exhibit No. ___(BRA-1TC), page 35, lines 5-7.

As discussed earlier, PSE is looking forward to working with the parties to design measurement criteria that can effectively measure performance, and the Company is open to adding additional penalty provisions in its outside contractor agreements, if appropriate. PSE suggests that representatives from the WUTC Office of Pipeline Safety participate in the discussion of this SQI because many competing issues are involved in construction safety requirements and builder satisfaction.

## E. Gas and Electric Safety Response Times

The Joint Parties recommend that PSE be required to arrive on-site to customer reported emergencies within 60 minutes 95% of the time, particularly for gas emergencies. *See* Exhibit No. ___(BRA-1TC) page 36, line 17.

In most instances a customer-perceived emergency (such as a power outage) is not necessarily a public safety matter. However, PSE is often unable to determine the extent of potential safety issues without visual inspection. Once on-site, PSE typically resolves the customer issue promptly and efficiently. Additionally, "first responder" services are performed by multiple entities. For example, customers or the general public may call 911 during a perceived emergency situation, rather than calling PSE. In these instances, the local fire or police department is dispatched to the scene, and PSE is subsequently notified and dispatched. For this reason, PSE provides regular training to fire department, law enforcement and other first response personnel. With the benefits of PSE's training program, these individuals are able to provide the appropriate type of assistance until PSE arrives. This in no way changes PSE's obligation to respond to such events, but instead of focusing on response time from the initial report of an emergency, it may be more appropriate to work on emergency response procedures with the different communities.

On the electric side of the operation, PSE finds that longer response times take place during heavy traffic commute times (morning and evening) in King County.

In more sparsely populated rural areas, response times in general take longer. Further, response times are seasonal, (*e.g.*, during months with more adverse weather conditions, November through February, PSE experiences higher numbers of outages and thus more requests for customer-perceived emergencies). A single measure (95% response within 60 minutes) will likely create a higher level of "sit and wait for an emergency" staffing, with an estimated additional cost of approximately $3 million. Establishing metrics for different geographic areas may be a more desirable balance of cost and benefit, from the customers' perspective.

The Detroit Edison Report identifies service quality metrics throughout the United States. *See* Exhibit No. ___(SML-17). These metrics cover all facets of electric utility service, and yet no other electric utility appears to have a safety response time metric as stringent as PSE's existing standard.

Because of the density of the locations where PSE's natural gas system is located, PSE estimates that it would be less costly to add resources to meet the proposed higher level of service on the gas side of the operation. The Company estimates it could cost over $1 million to provide this higher level of service. The Detroit Edison Report does not cover natural gas utilities and their safety response time requirements; nor has the Company been able to locate a corresponding report for the natural gas industry.

PSE is willing to discuss this concept further and has a keen desire to establish the

appropriate level of service in light of the multiple entities involved.

**F. Complaints per 1,000 Customers**

Commission Staff recommends this SQI be calculated separately for electric and gas operations to provide more granularity of information and to more accurately reflect actual performance. Additionally, Commission Staff recommends that the gas complaint level be set at 0.25 complaints per 1,000 natural gas customers and 0.40 complaints per 1,000 electric customers. *See* Exhibit No. ___(RK-1T) page 9, line13-15.

The Company supports reporting the measurement of customer complaint SQI by energy. However, the majority of customer complaints (68% in 2005, 63% in 2006 and 65% in 2007) are focused on a customer's inability to pay their normal energy bill (*i.e.,* credit and pricing issues). Although PSE strives to control costs, it anticipates higher costs, and ultimately higher prices, well into the future. As a consequence, one could expect higher levels of credit and pricing complaints simply because of rate increases and/or a downturn in the economy, which adversely affects customer incomes. PSE recommends classifying complaints by type of complaint and setting appropriate benchmarks within these categories.

**G. Overall Customer Satisfaction**

Commission Staff recommends the overall customer satisfaction SQI have three components. One result for the total average of the 1,400 survey respondents, one

for the 600 commercial customers and one for the 800 residential customers. *See* Exhibit No. ___(RK-1T) page 7, lines 7-12.

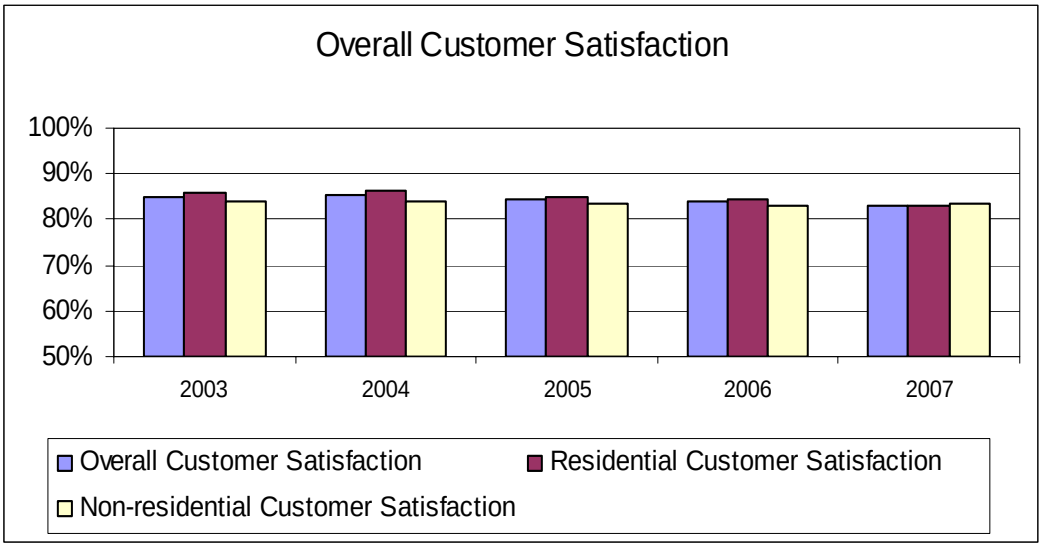
As I stated earlier in this testimony, PSE is a firm believer in the use of metrics to manage its business when they are meaningful, measurable, relevant and actionable. PSE performs seven different customer and key constituent satisfaction surveys on a regular basis and special surveys on specific topics when needed.

The Company's experience has been that the overall customer satisfaction survey does not provide sufficient information to enable PSE to take action to improve performance. Because customers participating in this survey may not have any direct contact with PSE during the course of the year, except to pay their bill, the satisfaction ratings appear to be linked to energy sector issues in general and not specifically to PSE.

For example, during the 2000-2001 energy crisis, when surrounding electric utilities were increasing their rates significantly but when PSE's own rates did not change, the Company's overall customer satisfaction scores dropped dramatically along with the industry as a whole.

Because the scores between commercial and residential customers have been relatively similar, particularly when you examine the statistical significance of each score, PSE is unable to identify value in separating these measures. The following chart reflects the overall customer satisfaction scores for PSE's three

customer groups over the past five years:




As discussed earlier, a critical attribute of any metric is that the information assist PSE in improving its performance. Because the Company is unable to control or influence many of the drivers of this measure, the information PSE receives from this metric and survey does not assist the Company in making performance improvements. For this reason, the Company proposes eliminating this measure altogether. However, if feedback on this SQI reveals that customers consider it an important measure, PSE would remain committed to its reporting.

## H. Increasing the Total Annual Penalty Amount to $15 Million

The Joint Parties recommend increasing the total penalty amount to $15 million. *See* Exhibit No. ___(BRA-1TC), page 24, line 2. PSE recommends that the SQIs and benchmarks be reviewed and appropriate targets set prior to discussing penalties. The Company has every incentive to put plans in place to meet these important customer service benchmarks. There are multiple incentives for the

Company to focus on meeting SQIs, one of which is monetary penalties and the other three are

1) a genuine desire to meet customers' expectations and needs,

2) a requirement to report to customers that PSE did not meet their expectations, and

3) media coverage regarding PSE's failure to meet customer expectations.

As discussed in the report, *"Service Quality Regulation for Detroit Edison: A Critical Assessment"*, symmetric incentive plans, which provide both penalties and bonuses, not only focus a company's attention on maintaining service quality, but encourage service quality improvements. *See* Exhibit No. ___(SML-17). As a result, a balanced approach to PSE's service quality program should be considered so that incentives and recognition are applied, as well as penalties and reprimands.

## I. Filing an Enforceable Compliance Plan for the Next Year when an SQI is not Met

The Joint Parties recommend PSE submit an enforceable compliance plan that demonstrates how the Company will meet the standard the following year after an SQI is not met. *See* Exhibit No. ___(BRA-1TC), page 27, line 12.

With the exception of the overall customer satisfaction SQI, which PSE recommends be eliminated, there has been only one incident in the twelve-year existence of SQIs in which PSE failed to meet a SQI in consecutive years. As

addressed earlier, the Company has every incentive to remedy these situations in an expedited manner, and in several instances there are already mechanisms in place to advise Commission Staff of activities and plans for mitigation. Adding another report does not necessarily provide value to PSE's customers.

## J. Doubling of Penalty Amounts when an SQI is not Met for the Second Consecutive Year

The Joint Parties recommend doubling the penalty amount when an SQI is not met for the second consecutive time. *See* Exhibit No. ___(BRA-1TC) page 27, line 17. As covered earlier, PSE recommends that the SQIs and benchmarks be reviewed and appropriate targets set prior to talking about the level of penalties to be assessed.

## K. Special Penalty for Missing System Average Interruption Duration Index ("SAIDI") SQI in 2007

The Joint Parties recommend that PSE be penalized at least $500,000 either through a disallowance from PSE's revenue requirement or as a separate one-time penalty payment to customers for PSE's failure to meet the 2007 SAIDI SQI. *See* Exhibit No. ___(BRA-1TC) page 27, line 18 through page 28, line 3. As discussed above, PSE recommends that the SQIs and benchmarks be reviewed and appropriate targets set prior to talking about penalties. However, it is difficult for the Company to consider a retroactive penalty, particularly when reliability metrics, like SAIDI, have considerable volatility. The findings in *"Service Quality Regulation for Detroit Edison: A Critical Assessment"* suggest the use of

multiple-year moving averages or the use of deadbands as mechanisms to smooth out the impact of random factors that impact benchmarks like SAIDI and SAIFI. *See* Exhibit No. ___(SML-17).

## L. How Penalty Dollars are Returned to Customers

The Joint Parties recommend that SQI penalty dollars be returned directly to customers in the form of a one-time bill credit that is appropriately identified on customer bills as a result of a service quality failure. *See* Exhibit No. ___(BRA-1TC) page 33, line 17. Based upon PSE's decade-plus performance of meeting the vast majority of the SQIs, if such a recommendation is accepted, the amount that could be expected to be returned to customers would be less than $1 per year. Even if the maximum penalty amount were paid, customers would receive roughly $1 per month. And, because of the many lines of print on a customer's bill, it is possible that customers would be unaware of the link between the penalty credit and the SQIs.

Given that the Joint Parties advocate for additional dollars to support low-income customers, PSE recommends that any SQI penalty be applied entirely to the low-income HELP program. *See* Exhibit No. ___(BRA-1TC) page 59, line 8.

## M. Analyze Customer Reliability Complaint Trends

The Joint Parties recommend PSE's annual reliability reports do more than list customer complaints about reliability of service and that future reports should

reflect an analysis and identification of patterns or practices with respect to customer complaints. *See* Exhibit No. ___(BRA-1TC) page 30, lines 15-17.

Because the format and content of this report is prescriptive, PSE is willing to add this analysis, however, the details on the way in which such information is presented should be agreeable to Commission Staff and others.

## N. Provide the Customer Service Guarantee to Customers who are without Power for More than Five Days

The Joint Parties recommend PSE be required to provide an individual customer with a credit of $50 when power is not restored within 120 hours (five days) after an interruption of service that occurs due to a major storm. *See* Exhibit No. ___(BRA-1TC) page 29, lines 1-4.

Depending upon the ultimate quantity of SQIs, such that the same customer service function is not covered by duplicative potential penalties, PSE is willing to consider applying the Customer Service Guarantee to outage durations of 120 consecutive hours or more, up to a maximum payout of $1 million per SQI year. However, the following conditions require further discussion and consideration:

1) Periods when PSE does not have access to its facilities in order to perform the needed repair (examples are, if floodwaters wash out public roadways and prevent the Company from accessing its system to make repairs or when the customer has caused the delay by not performing the necessary repairs to their equipment),

2) Because PSE does not always know which specific customers are without power, the Company will need the customer to request the

$50 service guarantee and will need time to research and validate each request.[4]

**O. Add Momentary Average Interruption Frequency Index ("MAIFI") Metric**

The Joint Parties recommend that PSE track and report MAIFI where Supervisory Control and Data Acquisition technology is installed and operational. *See* Exhibit No. ___(BRA-1TC), page 30, lines 1-3.

Because of the way in which PSE defines an outage (any event in excess of 60 seconds), rather that the Institute of Electrical and Electronics Engineers ("IEEE") method (any event in excess of 5 minutes), the substance of the MAIFI metric is captured in PSE's existing system average interruption frequency index ("SAIFI") metric. The Company is willing to discuss this metric further, but sufficient time and resources must be scheduled to program the collection of this information before reporting could commence.

**Q. Are there other components of the SQIs that you feel should be addressed?**

A. Yes.

**Definition of Storm**

The Joint Parties' witness, Barbara Alexander, considers PSE's current definition

[4] Even an OMS with GIS capability would not provide individual customer information that would enable PSE to identify a particular customer that is owed a refund.

of a storm (any event in which 5% or more of PSE's customers are without power) liberal. She cites the use of a storm definition in other parts of the country as any event in which 10% or more customers are without power. *See* Exhibit No. ___(BRA-1TC), page 25, lines 6-11.

The Company has been required to maintain and track multiple SAIDI and SAIFI statistics because the definition used for the Company's SQIs, annual reliability report and trigger for PSE's ability to defer and seek later recovery of major storm damage costs are not consistent. The Company would prefer to use the industry standard, with one, more stringent modification, for all SAIDI and SAIFI reporting purposes. The industry standard was developed by IEEE. This standard, with PSE's more stringent definition of an outage as an event lasting 60 seconds or longer, rather that the IEEE definition of an outage as lasting five minutes or longer, is supported by Commission Staff.

**Billing Accuracy and Timeliness**

As observed in The Detroit Edison Report, a number of states and utilities have metering and/or billing service quality indicators. *See* Exhibit No. ___(SML-17) at page 70, Table 7. Additionally, on page 12 the report recommends billing service quality indicators over metering indicators since the former reflects the quality of service that customers experience directly. PSE wants to have the vast majority of its bills issued in an accurate and timely manner. And, the Company is currently focusing significant efforts on process improvement in this area, as

described in the testimony of Ms. Booga Gilbertson, Exhibit No. ___(BKG-1T).

Because of this significant touchpoint with customers, it makes sense that the Company's program consider a metric that targets billing accuracy and timeliness. PSE is interested in further discussing this metric.

**Missed Appointments**

PSE suggests that the current SQI benchmark be renamed "Appointments Kept," rather than "Missed Appointments" and that the metric be reviewed relative to customer input on both service quality level and cost.

**Organization of SQIs for Customer Report Card Purposes**

The Company believes that the SQIs included in the annual customer report card might benefit from being organized using three overarching categories, rather than the current SQI number. The three categories PSE suggests are: Customer Satisfaction, Customer Services and Operations Services. The following SQIs would fall under the corresponding categories:

- Customer Satisfaction: (1) Telephone Center Transactions Satisfaction, (2) Field Service Operations Transactions Satisfaction, and (3) WUTC Complaint Ratio. (The Overall Customer Satisfaction SQI would also be listed in this category, if it is to remain.)

- Customer Services: (4) Telephone Center Answering Performance and (5) Disconnection Ratio Performance.

- Operations Services: (6) SAIFI, (7) SAIDI, (8) Electric Safety Response Time, (9) Gas Safety Response Time and (10) Appointments Kept.

If and when new SQIs subject to penalty are adopted, they could be placed in the appropriate category for customer communication purposes.

## III. ELECTRIC SYSTEM COSTS, RELIABILITY AND PERFORMANCE

**Q. Do you agree with the Joint Parties' claim on page 26 of Exhibit No. ___(BRA-1TC) that PSE has not performed appropriate system performance analysis or formal root cause analysis relative to electric system reliability?**

A. No. PSE continually reviews and analyzes system performance and develops plans and projects to address system performance issues as well as future growth. A description of the processes and methodologies is described in Chapter 7 "Delivery System Planning" in PSE's 2007 Integrated Resource Plan. *See* Exhibit No. ___(SML-20).

### A. SAIDI

PSE annually reviews outage data (occurrences and duration) from the previous five years to determine the worst performing circuits based on circuit SAIDI. Typically, the top 50 worst circuits receive the main focus, although the system planners, assigned to geographical locations, review all circuit performance in

each geographical area.

The outage cause(s) for the worst performing circuits are examined to determine root cause(s) for the poor reliability, and to identify the most cost-effective projects to improve reliability. These projects are prioritized with other system-related projects for capital funding, as part of the Company's budgeting process. Please see Exhibit No. ___(SML-21) for the 2008 list of the 50 worst circuits, along with the projects planned and completed.

Additionally, in 2008 a similar process was completed to identify projects that would impact overall Company SAIDI. Each of the regional system planning engineers identified system projects that would affect the overall Company SAIDI. PSE identified 28 additional projects, with an estimated cost of approximately $4 million. Engineers anticipate the top 12 projects, at an estimated cost of over $1 million, will potentially achieve around 80% of the overall Company SAIDI savings, resulting in a reduction in non-storm outage minutes of nearly 1.3 million. The Company funded these projects in Spring 2008, PSE expects to construct the projects in 2008, assuming the necessary permits can be obtained.

Weather-related events are a contributing factor in the Company's SAIDI SQI performance. On average about half of the customer minutes per outage (used to calculate SAIDI) are caused by tree-related events, mostly due to winds. Many of the tree-related outages are caused by trees off the right-of-way, for which PSE

has limited rights to trim or remove. Eliminating all tree-related outages is not likely and the cost of doing so would be prohibitive. As a consequence, PSE has also been focusing on ways to reduce the duration of outages. Examples include installing reclosers on lengthy circuits where personnel can isolate the outage and restore service to most customers. Additionally, installing fault indicators that assist service linemen in determining damage locations help pinpoint where personnel should begin the outage investigation.

PSE's 2006 System Performance Programs Report discusses the performance of PSE's energy delivery system and provides details on PSE's major programs to manage or improve system performance. Contrary to the Joint Parties' claim, PSE has provided considerable evidence that electric system SAIDI review, examination, targeted additions and modifications have been identified or implemented. This evidence of PSE's work to improve SAIDI performance was provided to the Joint Parties in response to a data request from Public Counsel. *See* Exhibit No. ___(SML-22) at pages 35-57.

**B. <u>Transmission Vegetation Management</u>**

PSE hired Ecological Solutions, Inc. to perform a study on Storm Hardening the Electric Transmission System, as it relates to PSE's electric transmission vegetation management practices and to recommend operational changes where appropriate. *See* Exhibit No. ___(SML-23). Although related to PSE's response to the Hanukkah Eve Storm, this work is expected to benefit non-storm outage

performance as well.

## C. Reliability Roadmap

As part of PSE's ongoing reliability efforts, Dr. Richard Brown with Quanta Technology was hired to help PSE develop a reliability roadmap. Dr. Brown is a proven expert in transmission and distribution reliability. He has worked with other utilities, each of which made significant improvements in their reliability metrics after adopting his recommendations. Dr. Brown has also worked in the Pacific Northwest and understands the region and its unique challenges and opportunities.

# IV. OTHER STAFF TESTIMONY AND PROPOSED ADJUSTMENTS

**Q. FEA proposes a revised spreading of the vegetation management costs associated with the implementation of the North American Electric Reliability Corporation ("NERC") wire zone best practice. *See* Exhibit No. ___(RCS-1T) page 14, line 10. Do you agree with this proposal?**

A. FEA proposes normalizing these costs, and its methodology of doing so appears reasonable. The Company has accepted FEA's methodology for determining the cost to be recovered and it is reflected in the Company's rebuttal revenue deficiency calculation, further discussed in the rebuttal testimony of Mr. John Story.

**Q. Do you agree with Public Counsel's recommendation to increase the average life of overhead conductors and devices for the purpose of depreciation?**

A. No. Public Counsel proposes to increase the average life of overhead conductors and devices for the purpose of depreciation based on the erroneous assumption that changes to PSE's vegetation management will extend the life of such facilities. *See* Exhibit No. ___(CWK-1T), page 14, lines 14-21. The only anticipated change in PSE's vegetation management practices currently being implemented is the NERC wire zone best practice. As outlined in my direct testimony, to implement this best practice, PSE must create a predictable and low-growing environment of vegetation under and directly adjacent to its rights-of-way. PSE has historically allowed topped trees in some rights-of-way, but this will no longer be permitted under the adoption of the NERC best practice. *See* Exhibit No. ___(SML-1CT) at page 23.

Although this is a new course of action for PSE, the intent of the practice is to prevent trees from growing into heavily loaded (as thus, sagging) transmission lines. The extensive and extreme penalties associated with grow-in tree-related outages influenced PSE's decision to adopt this best practice. PSE does not expect the adoption of this practice to influence the life span of PSE's electric conductors. This is further discussed in C. Richard Clarke's rebuttal testimony. Moreover, Public Counsel provides no support for its conclusion.

## V. CONCLUSION

**Q. Please summarize your testimony.**

A. In order for PSE to continue to provide its customers with safe and reliable energy delivery systems and high quality service, it should be allowed to recover its costs for energy delivery, customer service, and energy system infrastructure investments in a timely manner. Overall, no party in this proceeding contradicted my testimony regarding costs; nor did they argue that the Company's costs in these areas were imprudent or unreasonable.

PSE does not see any near-term relief from higher labor, material and fuel prices, and the Company anticipates that construction and operation and maintenance costs will continue to increase. Additionally, an increased level of transmission and distribution system investment is unavoidable and will be ongoing for many years. It is inevitable that future system investments will come at a higher cost. PSE is mindful to the impacts of increasing customer rates and we are working hard to minimize these impacts. However, PSE is sensitive to the need for its customers and region to have safe and reliable energy delivery systems. I would be remiss if I did not vigorously advocate for the critical investment needs of our customers' energy delivery systems and the need to adequately recover these costs.

PSE's delivery system planning process incorporates engineering reviews and processes that balance safety, cost and operational requirements while

incorporating consideration of environmental management, regulatory requirements and changing customer demands. It is a continual, ongoing evaluation of system performance and manifests itself in plans/projects that address system performance issues. By its very nature, plans/projects/programs are modified as new system performance information is received daily. That said, overall system performance changes slowly. With over $3 billion in gas and electric transmission and distribution rate base, even significant planned annual capital investments impact only a fraction of the Company's systems. (See page 39 of Exhibit No. ___(SML-1TC) for actual investment planned.)

PSE is committed to providing delivery systems and high quality service in a cost-effective and efficient manner. The Company looks forward to working with interested parties in the development of meaningful, relevant and actionable service quality measures. PSE believes that as much emphasis should be placed on recognizing and rewarding desired outcomes and behaviors as is currently in place for penalties and reprimands.

**Q. Does that conclude your prefiled rebuttal testimony?**

A. Yes.