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May 7, 2009

VIA ELECTRONIC FILING & FIRST CLASS MAIL

David Danner
Executive Secretary
Washington Utilities & Transportation Commission
1300 S. Evergreen Pk. Dr. S.W.
P. O. Box 47250
Olympia, WA 98504-7250

Re: PSE Annual Service Quality Index Report for 2008
Docket Nos. UE-011570 & UG-011571

Dear Mr. Danner:

The purpose of this letter is to formally note for the record in this docket an issue that Public Counsel has identified with Puget Sound Energy's Service Quality Index (PSE SQI)¹ and with the related Annual Report to customers for 2008. As part of the SQI, PSE is required to issue an Annual Report to its customers reporting its performance on each SQI measure in the past year and whether penalties were incurred. As required, PSE consults with Public Counsel and Staff prior to issuance of its Annual Report regarding format and content. The Annual Report has now been finalized and will be sent to customers shortly. During consultations, Public Counsel requested that the Report include a footnote reference to indicate that PSE's performance under SQI Measure 11 (electric safety response time) was still under review. PSE declined to include such a reference. Public Counsel is, therefore, filing this letter to state that it does not concur in the content of the Annual Report with respect to SQI Measure 11. A copy of the Annual Report is attached to this letter.

The Service Quality Measure 11 (SQI 11) Issue

"Major Event" exception. SQI 11 measures electric safety response time. It requires that, on average, PSE respond to electric system emergencies within 55 minutes from the time of a customer call. This measure was added to the SQI as part of the settlement approved by the Commission in PSE's 2001 general rate case.² As with the two other electric operations metrics,

¹ The original SQI was adopted in the stipulated settlement of the 1996 merger between Puget Sound Power & Light Co. and Washington Natural Gas Co. in Docket Nos. UE-951270 and UE-960195. The SQI was modified and continued indefinitely as part of a broad multiparty settlement of all issues in PSE's 2001 General Rate Case, *WUTC v. PSE*, Docket No. UE-011570 and UG-011571.

² *Id.*



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SAIDI and SAIFI³, PSE was allowed an exemption from this requirement in the case of “major events” in which five percent or more of PSE customers lose electric service. When a “major event” occurs, PSE may exclude the response time data from the calculation of performance under SQI 11. This allows PSE to avoid paying penalties for responding more slowly than the metric requires during major events.

“Localized Emergency Event” exception. In 2003, PSE developed some concerns with workability of the SQI 11 metric and negotiated an additional exception agreed to by Public Counsel and Staff in late 2003. This agreement was approved by the Commission in May, 2004.⁴ The agreement provided that, where a “localized emergency event” occurred, the response data would also be excluded from the calculation of performance under SQI 11. PSE indicated that during such events, which may affect less than five percent of PSE’s customers, the company has difficulty tracking response times. A “localized emergency event” is defined as one where *all available* first responders are dispatched and utilized in the affected local area. PSE has five local areas in its service territory.⁵

Public Counsel has recently learned that PSE interprets the “localized emergency event” exception to be triggered even when first responders are “unavailable” for reasons such as scheduled days off or vacation which are routine and over which PSE may have some control. This limited conception of “availability” is not consistent with the intent to provide an exception for truly emergency situations where effectively all first responders are sent to the field because of the nature of the event. PSE has apparently used the exception in at least one situation where fully half of its first responders in one local area had a regular day off or paid time off for vacation or sick leave. Public Counsel does not believe first responders should be defined as “unavailable” in emergency events on that basis and does not view this interpretation as consistent with the intent of the original agreement.

This definitional dispute has consequences. In 2008, for example, PSE determined that it *exactly* met the 55 minute requirement of SQI 11 and it so states in its recently completed Annual Report.⁶ If first responder availability were recalculated, however, using a more reasonable interpretation of “availability,” PSE may have fallen below the required metric and have incurred penalties. PSE’s liberal interpretation of the requirement appears to have the potential effect of unduly expanding the exception and possibly masking non-compliance with the metric.

³ SAIDI is System Average Interruption Duration Index, a metric regarding the length of non-storm power outages during the year. SAIFI is System Average Interruption Frequency Index, a metric regarding the frequency of non-storm power outages.

⁴ *In the Matter of the Application of Puget Sound Energy, Inc. for Approval of Amendment of Service Quality Index Reporting Methodology: Electric Safety Response Time*, Docket No. UE-031946, Order 01, May 11, 2004.

⁵ PSE identifies its five local areas as: North, West, South, North Central, and South Central.

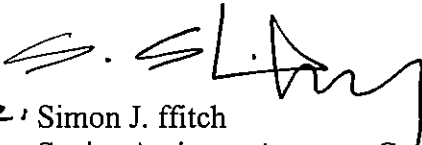
⁶ PSE’s performance on this metric has worsened over the past three years. In 2006, PSE responded an average of 49 minutes from the time of customer call, and in 2007 and 2008 their performance was 52 minutes and 55 minutes, respectively.

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Public Counsel has raised this issue with PSE but no resolution has been reached at this point. Public Counsel will review available remedies, including but not limited to: requesting a Commission investigation, addressing the matter in rate case testimony, seeking clarification of the definition going forward, or a complaint seeking penalties for failure to meet the metric in past reporting periods.

Sincerely,



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Section Chief, Public Counsel
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cc: Tom DeBoer, PSE
Mike Parvinen, UTC