

**BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Petition of:

PUGET SOUND ENERGY, INC.

For An Order Modifying Service Quality Index
Program

Docket No. UE-072300

PETITION FOR APPROVAL OF
MODIFICATIONS OF SERVICE
QUALITY INDEX PROGRAM

I. INTRODUCTION

1. In accordance with WAC 480-07-370(b), Puget Sound Energy, Inc. ("PSE" or the "Company") respectfully petitions the Commission for an Order authorizing the Company to modify its Service Quality Index No. 3 - System Average Interruption Duration Index ("SAIDI") as described in this petition ("Petition").

2. PSE is engaged in the business of providing electric and gas service within the State of Washington as a public service company, and is subject to the regulatory authority of the Commission as to its retail rates, service, facilities and practices. Its full name and mailing address are:

Puget Sound Energy, Inc.
Attn: Tom DeBoer,
Director - Federal and State Regulatory Affairs
P.O. Box 97034
Bellevue, Washington 98009-9734

3. Rules and statutes that may be brought at issue in this Petition include RCW 80.01.040, RCW 80.28.020, and WAC 480-07-370(b).

II. BACKGROUND

4. PSE first implemented its Service Quality Index Program (“SQI” or the “Program”) pursuant to Docket Nos. UE-951270 and UE-960195, the dockets approving the merger between Washington Natural Gas Company and Puget Sound Power & Light Company. The stated purpose of the SQI Program was to “provide a specific mechanism to assure customers that they will not experience deterioration in quality of service”¹ and to “protect customers of PSE from poorly-targeted cost cutting”² as a result of the merger.

5. The SQIs were most recently modified in the Commission’s Order 12 in Docket Nos. UE-072300 and UG-072301 (“Order 12”) in which the Commission approved and adopted a set of five unopposed settlement stipulations. Appendix D to Order 12: Partial Settlement Stipulation Re: Service Quality, Meter and Billing Performance, and Low-Income Bill Assistance (“Partial Settlement”) details these SQI changes. There were no revisions to SQI-3: SAIDI (System Average Interruption Duration Index) in the Partial Settlement, therefore, it continued unchanged with the benchmark set at an average of 136 outage minutes per customer per year excluding major events and carry-forward days³ (“major-event exclusion”).

6. The benchmark of 136 outage minutes per customer per year with major-event exclusion was prescribed in the SQI settlement, Exhibit J of the Settlement Stipulation, Re: Service Quality Index, in the Twelfth Supplemental Order in Docket Nos. UE-011570 and UG-011571. Prior to changing the benchmark to 136 minutes in the 2001 proceeding, the effective annual benchmarks used in calculation of potential SQI penalties changed several times as follows: 149.4 minutes from April 1997 to September 2000, 142.7 minutes for the 12-month period ended September 2001, and 136.1 minutes until September 31, 2002. All the benchmarks had the provision for the major-event exclusion. These benchmark changes were due to the 5-year rolling benchmark and performance calculation specified in the merger Docket Nos. UE-951270 and UE-960195⁴.

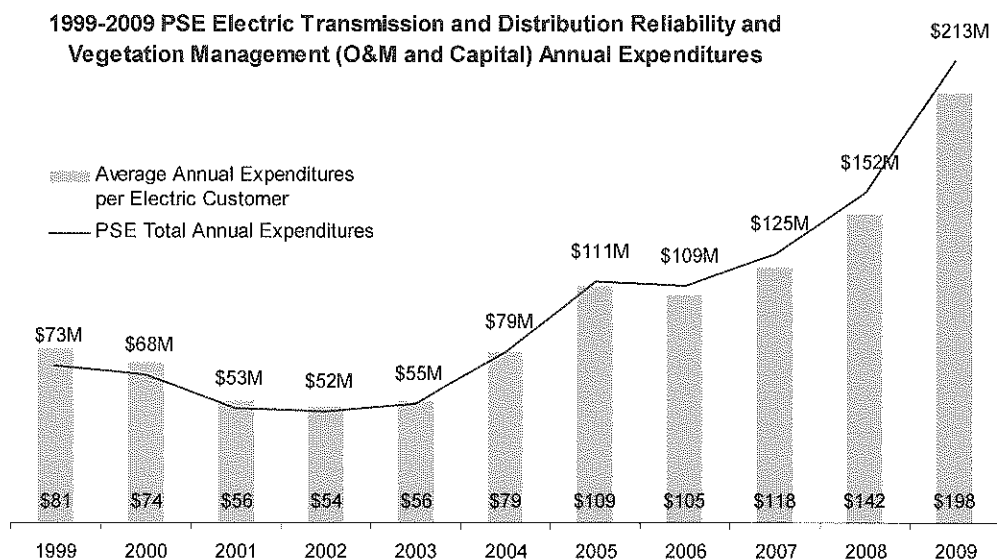
¹ Dockets UE-951270 & UG-960195, Fourteenth Supplemental Order Accepting Stipulation (February 5, 1997) (Stipulation at 11:14-15).

² *Id.* (Order at 32:3-6).

³ Major events are days when more than 5% of PSE’s customers are out and associated carry-forward days, which end when those customers have their service restored.

⁴ Docket Nos. UE-951270 and UE-960195, Supplemental Stipulation Re Customer Service Program, Exhibit A, pages 4 and 5

7. It has been always PSE's commitment to maintain and improve its system reliability through an appropriate level of spending in vegetation management programs and transmission and distribution capital projects and maintenance programs. The 1999⁵-2009 spending level not only outpaces the customer growth but also has been doubled since 1999 as illustrated in the following graph.



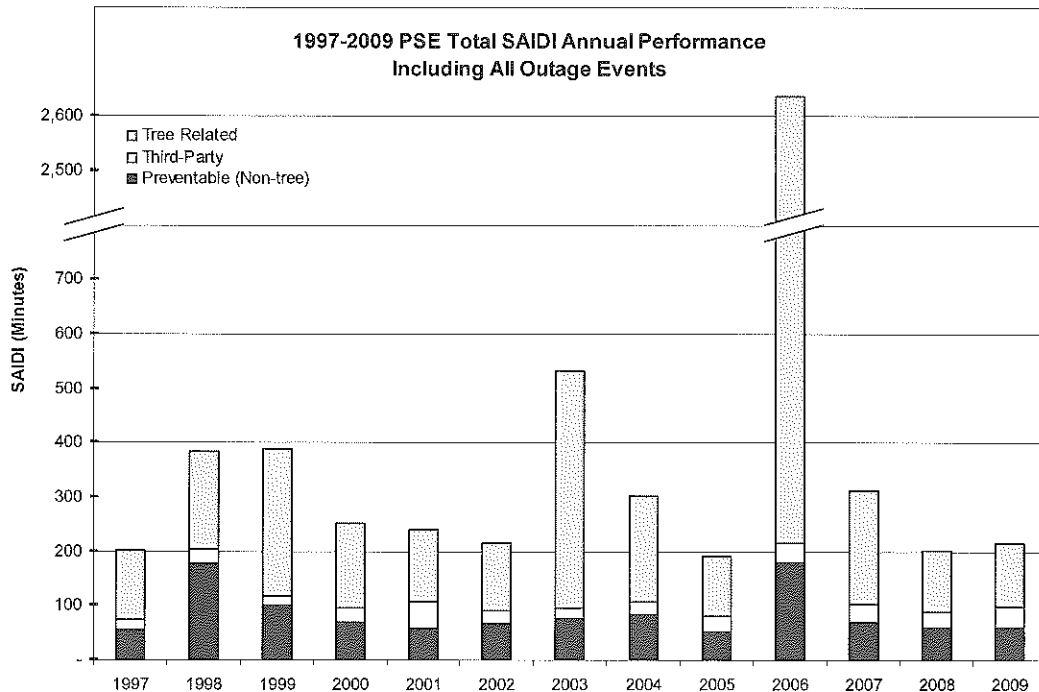
8. Outage frequency is influenced by the design and maintenance of the system, third party intervention, and the weather the system is experiencing; and outage duration measures the time to restore service after an outage occurs. System improvements alone will not result in continuous improvement in PSE's SAIDI performance as the performance is the combined result of outage causes and the elements of power restoration discussed below. Outages can be driven by a number of causes, not one appears to be the dominating cause, but all appear to influence the Company's SAIDI results. These causes include:

- a. Preventable system causes (non-tree related) – outages potentially preventable or controllable by the Company, which includes equipment failure, operator error, electric overload, etc.;

⁵ Total annual expenditures associated with the following project types: planned reliability, capacity, tree watch, vegetation management, and substation maintenance. Similar information is not available prior to 1999 due to the limitation in the level of data tracking.

- b. Third-party related causes – outages caused by third parties, such as, car pole or equipment accidents, disturbances from other utilities, dig ups, and scheduled outages required for new service connections or system upgrade; and
- c. Tree related causes – outages caused by trees and branches which have historically had the single largest impact on SAIDI.

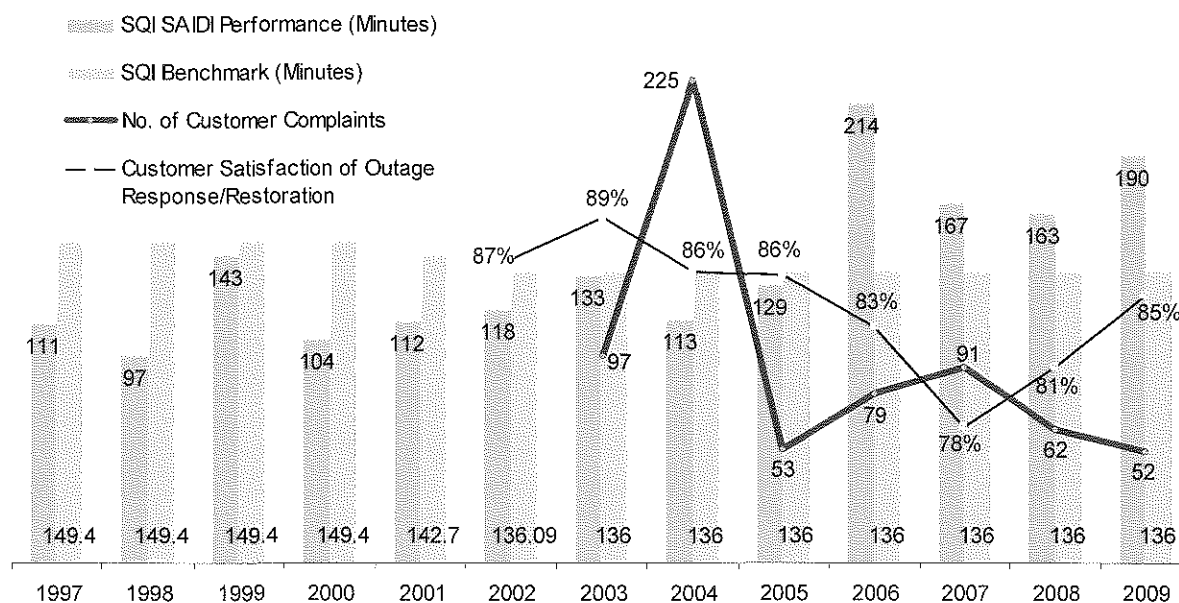
9. In reviewing the SAIDI performance⁶ with all outage events (“total SAIDI”), *i.e.*, inclusive of the outages that are currently subject to the SQI major-event exclusion, over the past thirteen years, PSE’s total SAIDI performance has been better for most of the years since 1997. Company preventable system outages and third-party outages are relatively flat and do not vary significantly year to year with the exception of 1998 and 2006. In contrast, tree-related SAIDI performance is volatile year-to-year depending on weather and wind. The year 2006 was an exceptional year due to the extreme effects of the 2006 Hanukah Eve Storm. The *Seattle Times* described 2006 as “a year’s worth of wicked weather” and “the year of the power outage”.⁷ The total annual SAIDI 2006 was 2,636 minutes, which is 5 to 13 times the other years’ results.



⁶ All results shown here are at the calendar basis to align historical performance.

⁷ Lynda V. Mapes, “A year’s worth of wicked weather,” *The Seattle Times*, January 1, 2007, Sec. Local News. Also available online at <<http://archives.seattletimes.nwsourc.com>>.

10. The duration of an outage is a cumulative result of processes including dispatch time, serviceman and crew travel times, 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. Measurement of outage duration starts when the outage is logged into PSE’s tracking system and ends when the electric service is restored at the customer meter. 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 and the Company does not have full control of these elements. Improvements in PSE’s SAIDI performance will also require review of the entire outage response process, and PSE is already working to identify the elements that the Company can improve. Some of these outage response and restoration initiatives have been discussed with the Commission Staff and put in place in 2010.



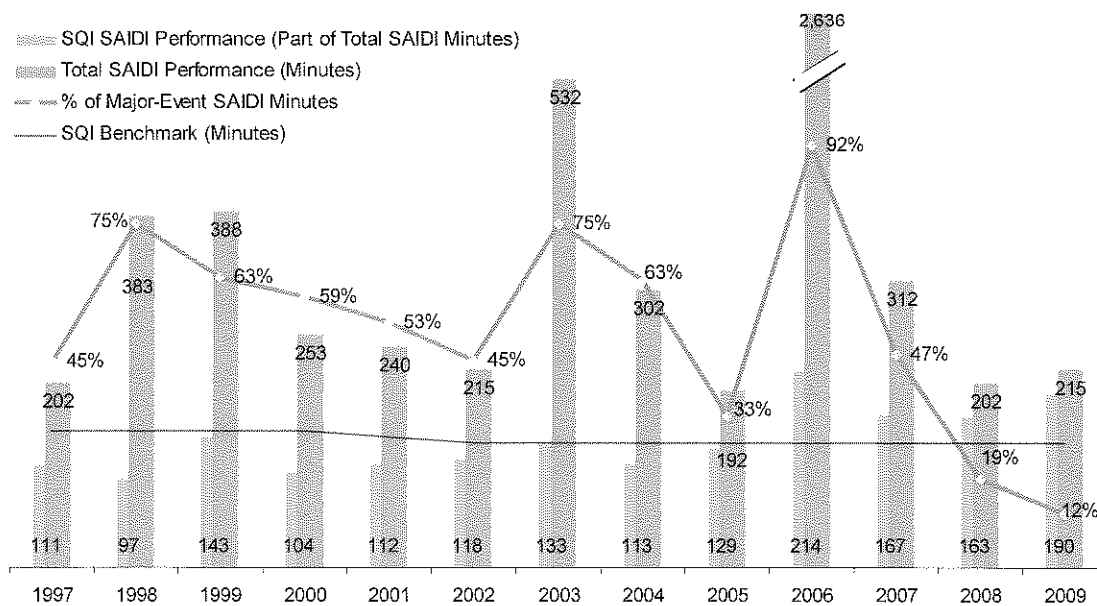
11. While PSE’s total SAIDI performance has been improved for the recent years, the Company has not been able to meet its SQA SAIDI benchmark since 2006. For the three consecutive years, 2007-2009, the Company actually experienced a decrease in the numbers of outage related complaints⁸ received either by PSE⁹ or the Commission¹⁰ and an increase in the

⁸ Complaints about system reliability; 2003 is the first year that PSE started to track the information.

⁹ PSE complaint – a customer comment relating to dissatisfaction with the resolution or explanation to a sustained interruption or power quality. This is indicated by two or more contacts to the Company over a 24-month period, where by, after investigation by the Company, the cause of the concern is found to be on PSE’s system.

percentage of the customers satisfied¹¹ with PSE’s outage response, as shown in the previous chart.

12. The key difference between the results of PSE’s total SAIDI performance and the existing SQI SAIDI performance is the major-event exclusion. The chart below demonstrates the relationship between the two. Prior to 2006, the annual percentage of SAIDI minutes excluded from the SQI (as a major-event) ranged from 33%-75% with a mean of 57%. These percentages also correlate positively with the total SAIDI results¹². However, the percentages since 2006 show a drastic downward trend of 47%, 19%, and 12% for 2007, 2008, and 2009, respectively. The average percentage of major-event exclusion minutes for the three most recent years is 26%, less than that of 1997-2005. The shift in trend suggests that more severe events are needed to become a major event and trigger the exclusion. Stated in another way, more weather events are likely contributing to SQI SAIDI, where in the past, they were a major event and excluded from the SQI. The trend also weakens the correlation between the major-event exclusion and PSE’s overall SAIDI performance and suggests a review of the exclusion.



¹⁰ Commission complaint – any single concern regarding sustained interruption or power quality filed by a customer with the Commission

¹¹ The two survey questions are: 2002-2008 “How well you think your electric company performs in restoring service quickly AFTER an outage?” and 2009 “How much do you agree that PSE responds quickly and effectively to outages?” 2002 is the first year PSE included the reliability related questions in its survey.

¹² The correlation coefficient between the percentage of major event and the total SAIDI performance for 1997-2005 is 0.869938, for 1997-2006 is 0.730222, for 1997-2007 is 0.728020462, for 1997-2008 is 0.664893713, and for 1997-2009 is 0.618060942.

13. PSE has conducted internal reviews of its SAIDI performance and commissioned external studies of its system reliability and outage response following the aftermath of the 2006 Hanukah Eve Storm and during the subsequent years that the SQI-3: SAIDI benchmark was not met. It is apparent that the current SQI SAIDI benchmark and performance calculation no longer measures PSE's overall system reliability performance and how it relates to customer satisfaction of PSE's outage restoration efforts due to the current major-event exclusion definition. In early 2009, the Company approached the signatory parties of Appendix D to Order 12; Commission Staff, Public Counsel, and the Energy Project; to address the issues related to the existing SQI-3 benchmark and calculation. Public Counsel and the Energy Project were not able to participate in all the meetings, but they were provided with the same information PSE presented to Staff in the all meetings and notified of this filing.

III. PROPOSED MODIFICATIONS TO SQI No. 3

14. As a result of these discussions, the Company proposes a modification to the SQI No. 3 benchmark as follows: an annual total SQI SAIDI benchmark of 320 minutes and a corresponding annual performance calculation based on the 5-year-rolling average of annual SAIDI results¹³. Exclusions for major events will no longer be a part of SQI-3: SAIDI performance measure, except for extraordinary annual results, such as that of 2006, or other outage events that are explicitly allowed by the Commission. Detailed calculations of the benchmark and the annual performance to be evaluated against the benchmark can be found in Exhibit A. There is no change to the total potential penalties of \$1.5 million (\$3 million if not met in two consecutive years) or the current penalty per point of \$337,500. The Company believes the proposed benchmark and performance calculation better reflects the overall customer experience regarding power restoration and more adequately measures PSE's electric system reliability. The proposed changes will ensure PSE considers the overall system-wide effectiveness in its reliability spending in order to meet the revised benchmark.

15. As shown in Exhibit A, the proposal is based on the mean of 5-year-rolling averages of PSE's 1997-2005 and 2007-2009 annual total SAIDI results with one standard

¹³ Another proposed SAIDI difference is the rolling 5-year average performance calculation excluding the 2006 results. The proposed benchmark is set based on the same methodology.

deviation from the mean, which is similar methodology to which the SAIDI benchmark was established in 1997. The rolling 5-year average helps mitigate the volatility caused by weather conditions and trees. The 2,636 minutes of the 2006 total SAIDI results are excluded in the proposed benchmark as most of the SAIDI minutes resulted from the 2006 Hanukah Eve Storm. The Company believes that an event with such scale would be rare and an inclusion of this event in the benchmark and performance calculation will skew the intent of the SQI Program. However, the benchmark calculation in Exhibit A includes and excludes the 2006 results for comparison purposes.

16. The inclusion of the one standard deviation in the proposed SQI-3: SAIDI benchmark accounts for part of the data variability due to PSE controllable and non-controllable factors and provides PSE a statistical chance of 84%¹⁴ of meeting its benchmark so that the potential penalties would be driven by PSE's actions (or inaction) rather than data variability. The annual performance to be evaluated against the 320-minute benchmark will be calculated as the average of annual total SAIDI results of current and four preceding years excluding results from 2006 or other extraordinary year or events approved by the Commission. For example, the 2010 performance will be the average annual results of the following years: 2005, 2007, 2008, 2009 and 2010. The 2012 performance will be based on the following years: 2008, 2009, 2010, 2011, and 2012, assuming there is no exclusion.

17. In any case where an exceptional event does occur, the Company proposes that a mitigation petition provision be allowed for an exclusion of certain annual results or outage minutes for purpose of calculating annual performance and associated penalties for current year and years following that will be affected. This provision will be consistent with the following currently effective SQI mitigation petition standard and procedure set forth originally in Docket Nos. UE-951270 and UE-960195:

The standard to be applied for such a petition is that the penalty is due to unusual or 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 parties contemplate that, following a procedure to be

¹⁴ The 84% is estimated base on the normal distribution of SAIDI performance at current service levels and 1997-2005 and 2007-2009 weather conditions. If 2006 is included in the design, the benchmark would be 728 and the chance of meeting the benchmark would be 89%.

established by the Commission, a Commission order will be issued assessing any penalties and resolving any mitigation petition.¹⁵

18. The proposed changes to SQI-3: SAIDI benchmark and associated performance calculation will be effective only for four annual reporting periods, 2010¹⁶ through 2013, in anticipation of PSE's implementation of a new outage management system and the availability of analysis-ready data from the new system. The permanent SQI SAIDI mechanics will be based on the industry accepted benchmark similar to IEEE¹⁷ Standard 1366. Currently IEEE is considering changes to the 1366 methodology. It is also possible that some reliability metrics will be refined as part of federal stimulus funds for smart-grid projects. With these developments, the Company hereby proposes the temporary SQI-3: SAIDI changes to address the problems with current mechanics. In addition, the Company will initiate the discussion by June 30, 2013, to permanently amend the SQI Program for the year 2014 and beyond.

19. Besides the SQI-3 related amendments, the Company also requests the following housekeeping SQI changes due to the elimination of SQI SAIDI major-event exclusion:

- a. The definition of excused appointments in SQI-10: Kept Appointments to be revised as follow:

“Excused” appointments are appointments that meet any of the following criteria: the customer fails to keep the appointment; the customer requests that the appointment be rescheduled; the Company reschedules the appointment because the Company reasonably determines that conditions at the customer site make it impracticable to perform the service; or the appointment falls on a day that 5% or more of electric customers are experiencing an electric outage and subsequent days when the service to those customers is being restored.¹⁸

¹⁵ Docket Nos. UE-951270 & UG-960195, Stipulation, page 13, lines 10-15.

¹⁶ Dockets UE-011570 & UG-011571, Twelfth Supplemental Order, Exhibit J to Settlement Stipulation, Appendix 2 page 4, section C, states that “Changes to a benchmark may not be retroactive.” The change to the benchmark is during the current performance period, not after the fact.

¹⁷ The Institute of Electrical and Electronics Engineers, Inc. The current IEEE guide for electric power distribution reliability indices is published as IEEE Standard 1366. IEEE uses a performance calculation based on annual data rather than a 5-year rolling average performance calculation.

¹⁸ Amending part of Consolidated Docket Nos. UE-011570 and UG- 011571, Twelfth Supplemental Order, Exhibit J, Appendix 2, page 12

- b. The SQI-3: SAIDI and SQI-4: SAIFI¹⁹ related major-event exclusion days when the performance measurement of the SQI-11: Electric Safety Response Time shall be suspended to be revised as follows:

“1) days that 5% or more of electric customers are experiencing an electric outage and subsequent days when the service to those customers is being restored;”²⁰

20. In addition to the SQI-3, SQI-10, and SQI-11 changes, the Company requests the due date for the SQI annual filing²¹ to be on or before March 31 to coincide with the annual filing of PSE’s reliability report in accordance with WAC 480-100-393, WAC 480-100-398, and Docket No. UE-060391. The revision of the SQI annual filing due date allows the Company to combine all the required annual SQI and reliability reporting to the Commission into one report to facilitate the review of the Commission staff or any other interested parties. Specifically, the reports to be combined are: SQI Report, Electric Service Reliability Report, and Service Provider Report. The combined report will include reliability investment strategies, programs, and projects and will include SAIDI performance based on the proposed SQI mechanics and IEEE Standard 1366. The reporting requirements for the SQI Program established in various orders remain in effect, except the change in due date proposed in this Petition. The Company will file a proposed revision to its monitoring and reporting plan under WAC 480-100-393 within ten business days of the Commission’s order approving the combining of the three reports.

21. Furthermore, with this Application, the Company also commits to the following actions:

- a. Continuing investments in reliability-related plant and practices, and reporting on investment trends in the combined annual report.
- b. Continuing studies of PSE first responders’ and PSE’s service providers’ outage response and restoration times.

¹⁹ System Average Interruption Frequency Index

²⁰ Amending part of page 14 of Appendix 2 as substituted and revised per Docket No. UE-031946, Order Nos. 01 and 02

²¹ Amending part of page 16 of Appendix 2 as substituted and revised per Docket No. UE-031946, Order Nos. 01 and 02

- c. Holding informal meetings with the Commission Staff to report on these initiatives around January 2011 and July 2011 depending on availability of 6-full-month and 12-full-month data, respectively.
- d. Establishing an operational outage management system by October 1, 2012, and implementing an electric geographic information system by December 30, 2015.
- e. Initiating the discussion with UTC staff and stakeholders by June 30, 2013, to amend the Service Quality Index Program addressing, at a minimum, SQI-3: SAIDI and SQI-4: SAIFI, for the performance year 2014 and beyond. If the Company does not file either a petition to permanently amend the SQI Program or a request to extend the temporary SQI-3 benchmark and performance by December 1, 2013, SQI-3 will revert to the 2009 benchmark and performance calculation until modified by a Commission order. The Company may file a request to extend the effective period of the temporary SQI-3 benchmark and performance calculation for one year at a time prior to the Commission's approval of a permanent SAIDI measurement and the beginning of a performance year.
- f. Filing a proposed revision to PSE's monitoring and reporting plan under WAC 480-100-393 within ten business days of the Commission's order approving the combining of the three reports.

22. Because the SQI changes PSE proposed in this Petition amend the Partial Settlement that the Commission approved in its Order 12, the Company hereby requests that the Commission: (1) approve the temporary changes of the annual SQI-3: SAIDI benchmark to 320 minutes and the associated annual performance be determined as described in this Petition without the effect of 2006 total SAIDI results, (2) approve the effect of 2006 total SAIDI results of 2,636 minutes as an exclusion from the five-year rolling performance calculation for the 2010 reporting year, (3) approve the SQI-10: Kept Appointments, and SQI-11: Electric Safety Response Time, housekeeping text changes due to the elimination of SQI SAIDI major-event exclusion, (4) approve the due date for the SQI annual filing to be on or before March 31 with the combining of the SQI Report, Electric Service Reliability Report, and Service Provider Report into one report, and (5) order the resulting adjusted benchmark to become effective starting with the 2010 SQI Program year.

IV. REQUESTED ACTION

23. For the reasons set forth above, PSE respectfully requests that the Commission issue an order in the form attached as Exhibit C which:

- (1) approves the temporary amendment changing SQI-3: SAIDI benchmark to 320 minutes and the associated performance calculation as described in this Petition without the effect of 2006 total SAIDI results for four annual reporting periods, 2010 through 2013
- (2) approves the exclusion of 2006 total SAIDI minutes 2,636 from the five-year rolling performance calculation for the 2010 reporting year
- (3) approves the SQI-10: Kept Appointments, and SQI-11: Electric Safety Response Time, housekeeping text changes due to the elimination of SQI SAIDI major-event exclusion
- (4) approves the due date for the SQI annual filing to be on or before March 31 with the combining of the SQI Report, Electric Service Reliability Report, and Service Provider Report into one report. If this Petition is approved in 2010, the combined report will be initiated for the 2010 reporting period. If later, the combined reports will start in 2011
- (5) approves this petition no later than December 31, 2010, before the end of PSE's 2010 Service Quality Program reporting period

DATED: October 20, 2010.

PUGET SOUND ENERGY, INC.

By Tom DeBoer
Tom DeBoer
Director -- Federal & State Regulatory Affairs

Exhibit A

Historical Total SAIDI Annual Results
and
Proposed Benchmark and Performance Calculation

Exhibit A: Historical Total SAIDI Annual Results and Proposed Benchmark and Performance Calculation

	(a)	(b)	Including 2006 in Calculation (For Reference Only)		Excluding 2006 in Calculation (Proposed Calculation)	
1			(c)	(d)	(e)	(f)
	Calendar Year	Annual Total SAIDI Results: All Minutes w/o Exclusion	Annual Performance Based on 5-Year-Rolling Average	Annual Results (b) Used in Calculation	Annual Performance Based on 5-Year-Rolling Average	Annual Results Col. (b) Used in Calculation
2	1997	202				
3	1998	383				
4	1999	388				
5	2000	253				
6	2001	240	293	1997-2001	293	1997-2001
7	2002	215	296	1998-2002	296	1998-2002
8	2003	532	326	1999-2003	326	1999-2003
9	2004	302	308	2000-2004	308	2000-2004
10	2005	192	296	2001-2005	296	2001-2005
11	2006	2,636	775	2002-2006	Excluded	Excluded
12	2007	312	795	2003-2007	311	2002-2005 and 2007
13	2008	202	729	2004-2008	308	2003-2005 and 2007-2008
14	2009	215	711	2005-2009	245	2004-2005 and 2007-2009
15						
16	Mean	467	503		298	
17	Standard Deviation	633	224		22	
18	Mean Plus One Standard Deviation	1,100	728		320	Proposed Benchmark = 298 of Mean + 22 Standard Deviation = 320
19	Probability of Meeting Benchmark at Normal Distribution		89%		84%	
20	Probability of Penalty at Normal Distribution		11%		16%	

Exhibit B

1997-2009 PSE SAIDI Performance in Different Measurements

Exhibit B: 1997-2009 PSE SAIDI Performance in Different Measurements

Table 1: 1997-2009 PSE SAIDI Performance by Measurement

	(a)	(b)	(c)	(d)	(e)
1	Annual SAIDI Excluding Any Days That 5% or More Customers Are w/o Power	Annual IEEE SAIDI Excluding Daily Results over T _{MED}	Annual Total SAIDI Results: All Minutes w/o Exclusion	Annual Total SAIDI Results: excluding 2006 (Minutes)	Total SAIDI 5-Year Rolling Annual Average Excluding 2006
2	Calendar Year				
3	1997	105	109	202	202
4	1998	117	119	383	383
5	1999	131	115	388	388
6	2000	103	111	253	253
7	2001	147	110	240	293
8	2002	106	100	215	296
9	2003	132	107	532	326
10	2004	114	114	302	308
11	2005	128	125	192	296
12	2006	213	164	2,636	
13	2007	167	144	312	311
14	2008	163	155	202	308
15	2009	190	145	215	245

Chart 1: 1997-2009 PSE SAIDI Performance in Different Measurements by Year

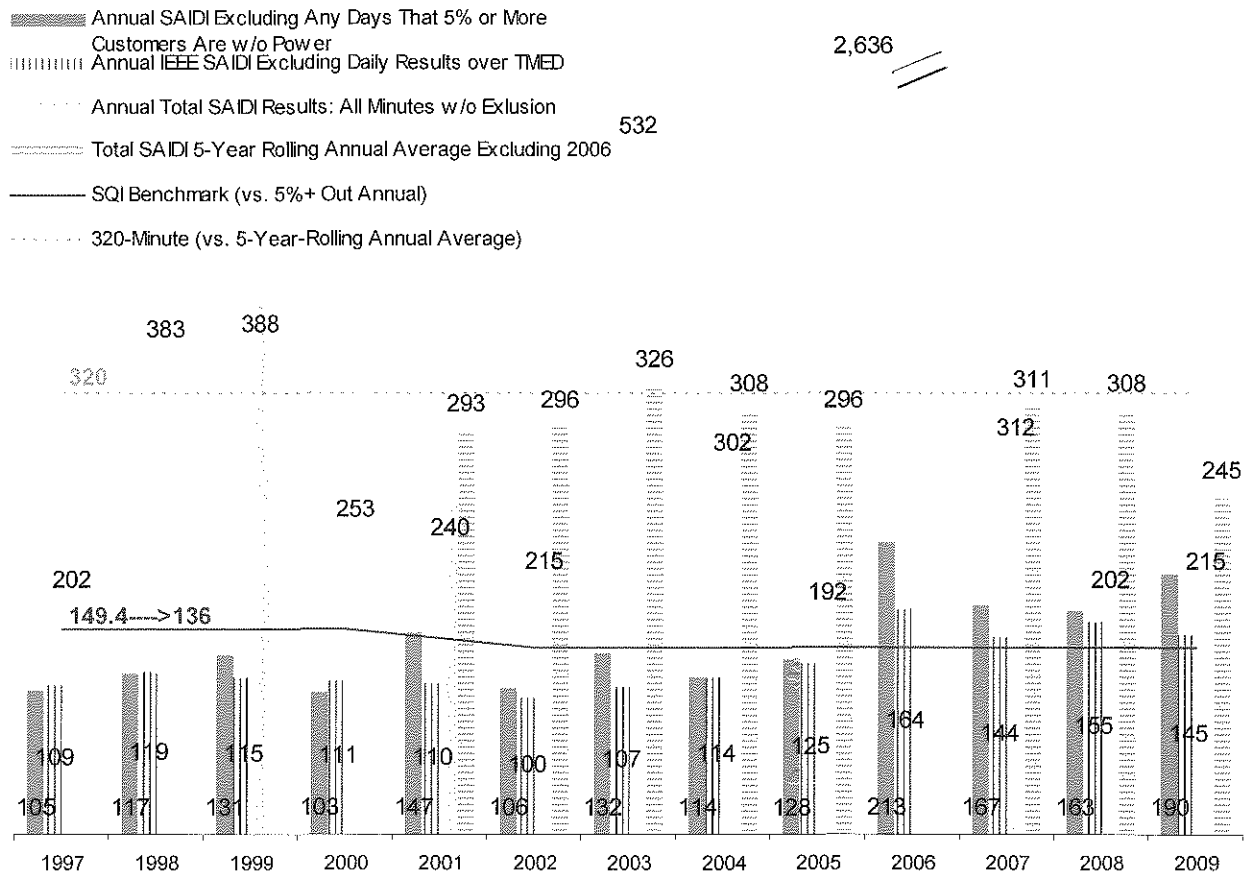


Exhibit C

Proposed Order

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

In the Matter of the Petition of)	DOCKETS UE-072300 & UG-072301
)	
PUGET SOUND ENERGY,)	ORDER 17 (Proposed)
)	
Petitioner,)	
)	
For An Order Modifying Service Quality)	ORDER GRANTING APPLICATION
Index Program)	FOR APPROVAL OF AMENDMENT
.....)	TO, AND AMENDING, PRIOR
		COMMISSION ORDERS BY
		MODIFYING SERVICE QUALITY
		INDEX PROGRAM

BACKGROUND

1 Puget Sound Energy, Inc. (“PSE” or the “Company”) first implemented its Service Quality Index Program (“SQI” or the “Program”) in Dockets UE-951270 and UE-960195, which authorized the merger of Washington Natural Gas Company and Puget Sound Power & Light Company in 1997. The stated purpose of the Program was to “provide a specific mechanism to assure customers that they will not experience deterioration in quality of service”¹ and to “protect customers of PSE from poorly-targeted cost cutting.”² The details of the Program were most recently fully described in consolidated Dockets UE-011570 and UG-011571,³ and most recently extended and revised in consolidated Dockets UE-072300 and UG-072301.⁴ Since those dockets, the Washington Utilities and Transportation Commission (“the Commission”) has also granted an amendment of SQI-9:

¹ *In re Application of Puget Sound Power & Light Company and Washington Natural Gas Company*, Dockets UE-951270 & UG-960195, Fourteenth Supplemental Order Accepting Stipulation (February 5, 1997) (Stipulation at 11:14-15).

² *Id.* (Order at 32:3-6).

³ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-011570 and UG-011571, Twelfth Supplemental Order, Exhibit J, Settlement Terms for Service Quality Index (June 20, 2002). Exhibit J brought forward and revised the 1997 text including Appendices 1 and 2.

⁴ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-072300 and UG-072301, Order 12 at Appendix D, Partial Settlement Re: Service Quality, Meter and Billing Performance and Low Income Assistance (November 1, 2008). Order 12 authorized the continuation of the Company’s SQI with certain revisions and new terms and conditions.

Disconnection Ratio,⁵ and a subsequent interim elimination of SQI-9 with a pending consideration during a general rate case for permanent elimination.⁶

- 2 On October 20, 2010, PSE filed with the Commission a petition seeking an Order under WAC 480-07-370(1)(b) authorizing PSE to modify its Program. PSE requested temporary modifications to SQI-3: SAIDI, its System Average Interruption Duration Index (“SAIDI”) benchmark and the associated SQI-3 performance calculation as well as minor housekeeping changes to the text of SQI-10: Kept Appointments and SQI-11: Electric Safety Response Time to reflect the removal of the major events exclusion from SQI-3.
- 3 The existing SQI-3: SAIDI benchmark is 136 outage minutes per customer per year excluding major events where more than 5 percent of PSE’s customers are out of service with any associated carry-forward days. The existing SQI-3: SAIDI annual performance calculation is the outage minutes per customer for the single performance year excluding the same major events as the benchmark. PSE proposed to substitute the existing SAIDI measurement with the major events exclusion to a measurement that represents all outages that customers experienced, major events or not. The Company’s proposal includes an all-in SQI-3 SAIDI benchmark of 320 minutes and a corresponding annual performance calculation SAIDI based on the 5-year-rolling average of the current and preceding 4 years of annual total SAIDI results. Both the proposed benchmark and annual performance calculation do not include the effect of 2006 total SAIDI results as 2006 is considered as an extraordinary year. The current major-event exclusion for SQI SAIDI will be replaced with an exclusion of extraordinary annual results or outage events that are explicitly allowed by the Commission. The Company requested the effect of 2006 total SAIDI results of 2,636 minutes be excluded from the five year rolling performance calculation for the 2010 reporting year .
- 4 The Company believes the proposed benchmark and performance calculation better reflects the overall customer experience regarding power restoration and more adequately measures PSE’s electric system reliability. The proposed changes will ensure PSE considers the overall all system-wide effectiveness in its reliability spending in order to meet the revised benchmark.

⁵ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-072300 and UG-072301, Order 14, Granting Application for Approval of Amendment to, and Amending, Prior Commission Orders by Modifying Service Quality Index Benchmark SQI-9 (November 13, 2009). [Order 14]

⁶ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-072300 and UG-072301, Order 16, Granting on an Interim Basis Puget Sound Energy, Inc.’s Application for Approval to Eliminate Service Quality Index: Disconnection Ratio (August 31, 2010).

5 In any case where an exceptional event or year does occur, the Company proposes that a mitigation petition provision for an exclusion of certain annual results or outage minutes for purpose of calculating annual performance and associated penalties for current year and years following that will be affected. This provision will be consistent with the following currently effective SQI mitigation petition standard and procedure set forth originally in Docket Nos. UE-951270 and UE-960195:

The standard to be applied for such a petition is that the penalty is due to unusual or 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 parties contemplate that, following a procedure to be established by the Commission, a Commission order will be issued assessing any penalties and resolving any mitigation petition.⁷

6 Besides the SQI-3 related amendments, the Company also requests the following housekeeping SQI changes due to the elimination of SQI SAIDI major-event exclusion:

The definition of excused appointments in SQI-10: Kept Appointments to be revised as:

“Excused” appointments are appointments that meet any of the following criteria: the customer fails to keep the appointment; the customer requests that the appointment be rescheduled; the Company reschedules the appointment because the Company reasonably determines that conditions at the customer site make it impracticable to perform the service; or the appointment falls on a day that 5% or more of electric customers are experiencing an electric outage and subsequent days when the service to those customers is being restored.⁸

The SQI-3: SAIDI and SQI-4: SAIFI related major-event exclusion days when the performance measurement of the SQI-11: Electric Safety Response Time shall be suspended to be revised as follows:

“1) days that 5% or more of electric customers are experiencing an electric outage and subsequent days when the service to those customers is being restored;”⁹

⁷ *WUTC v. Puget Sound Energy, Inc.*, Docket Nos. UE-951270 and UG-960195, Stipulation, page 13, lines 10-15.

⁸ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-011570 and UG- 011571, Twelfth Supplemental Order (Amending part of Exhibit J, Appendix 2, page 12)

⁹ *WUTC v. Puget Sound Energy, Inc.*, Docket No. UE-031946, Order Nos. 01 and 02 (Amending part of page 14 of Appendix 2 as substituted and revised)

7 The proposed changes to SQI-3: SAIDI benchmark and associated performance calculation will be effective only for four annual reporting periods, 2010¹⁰ through 2013, in anticipation of PSE's implementation of a new outage management system and the availability of analysis-ready data from the new system. The permanent SQI SAIDI mechanics will be based on the industry accepted benchmark similar to IEEE¹¹ Standard 1366. In addition, the Company will initiate the discussion by June 30, 2013, to permanently amend the SQI Program for the year 2014 and beyond.

8 In addition to the SQI-3, SQI-10, and SQI-11 changes, the Company requests the due date for the SQI annual filing¹² to be on or before March 31 to coincide with the annual filing of PSE's reliability report in accordance with WAC 480-100-393, WAC 480-100-398, and Docket No. UE-060391. The revision of the SQI annual filing due date allows the Company to combine all the required annual SQI and reliability reporting to the Commission into one report to facilitate the review of the Commission staff or any other interested parties. The reporting requirements for the SQI Program established in various orders remain in effect, except the change in due date proposed in this Petition.

9 Furthermore, with this Application, the Company also commits to the following actions:

- Continuing investments in reliability-related plant and practices, and reporting on investment trends in the combined annual report.
- Continuing studies of PSE first responders' and PSE's service providers' outage response and restoration times.
- Holding informal meetings with the Commission Staff to report on these initiatives around January 2011 and July 2011 depending on availability of 6-full-month and 12-full-month data, respectively.
- Establishing an operational outage management system by October 1, 2012, and an operational electric geographic information system by December 30, 2015.
- Initiating the discussion with UTC staff and stakeholders by June 30, 2013, to amend the Service Quality Index Program addressing, at a minimum, SQI-3: SAIDI and SQI-4: SAIFI, for the performance year 2014 and beyond. If the Company does

¹⁰ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-011570 & UG-011571, Twelfth Supplemental Order, Exhibit J to Settlement Stipulation, Appendix 2 page 4, section C, states that "Changes to a benchmark may not be retroactive." The change to the benchmark is *during* the current performance period, not after the fact.

¹¹ The Institute of Electrical and Electronics Engineers, Inc. The current IEEE guide for electric power distribution *reliability* indices is published as IEEE Standard 1366. IEEE uses a performance calculation based on annual data rather than a 5-year rolling average performance calculation.

¹² *WUTC v. Puget Sound Energy, Inc.*, Docket UE-031946, Order No. 01. (Amending part of page 16 of Appendix 2 as substituted and revised)

not file either a petition to permanently amend the SQI Program or a request to extend the temporary SQI-3 benchmark and performance by December 1, 2013, SQI-3 will revert to the 2009 benchmark and performance calculation until modified by a Commission order. The Company may file a request to extend the effective period of the temporary SQI-3 benchmark and performance calculation for one year at a time prior to the Commission's approval of a permanent SAIDI measurement and the beginning of a performance year.

- Filing a proposed revision to PSE's monitoring and reporting plan under WAC 480-100-393 within 10 business days of the Commission's order approving the combining of the three reports.

FINDINGS AND CONCLUSIONS

- 10 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington vested by statute with the authority to regulate the rates, rules, regulations, practices, accounts, securities, transfers of property and affiliated interests of public service companies, including electric companies. *RCW 80.01.040, RCW 80.04, RCW 80.08, RCW 80.12, RCW 80.16 and RCW 80.28.*
- 11 (2) PSE is an electric and natural gas company and a public service company subject to Commission jurisdiction.
- 12 (3) WAC 480-07-370(1)(b) allows companies to file petitions including that for which PSE seeks approval.
- 13 (4) After reviewing PSE's petition filed in Dockets UE-072300 & UG-072301 on October 20, 2010, and giving due consideration to all relevant matters and for good cause shown, the Commission finds that the Petition filed should be granted.

ORDER

THE COMMISSION ORDERS:

- 14 (1) Puget Sound Energy's request to temporarily amend its Service Quality Index Program as described in its petition is granted.
- 15 (2) Puget Sound Energy's request to exclude the effect of 2006 total SAIDI results of 2,636 minutes from the five year rolling performance calculation for the 2010 reporting year is granted.

- 16 (2) Puget Sound Energy must make compliance filings updating Appendices 1 and 2 to Exhibit J in the Twelfth Supplemental Order in Dockets UE-011570 and UG- 011571 to reflect SQI reporting and mechanics changes approved in Orders 1 and 2 of Docket No. UE-031946, Orders 12, 14, and 16 in consolidated Dockets UE-072300 and UG-072301, and all the changes approved by this Commission order within 20 business days of the effective date of this order.
- 17 (3) This Order shall not affect the Commission's authority over rates, services, accounts, valuations, estimates, or determination of costs, on any matters that may come before it. Nor shall this Order granting Petition be construed as an agreement to any estimate or determination of costs, or any valuation of property claimed or asserted.
- 18 (4) The Commission retains jurisdiction over the subject matter and Puget Sound Energy to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner