

BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,

Complainant,

v.

PUGET SOUND ENERGY, INC.,

Respondent.

DOCKET NO. UE-072300

ANSWER OF COMMISSION STAFF IN  
SUPPORT OF PSE PETITION FOR  
APPROVAL OF MODIFICATIONS OF  
SERVICE QUALITY INDEX PROGRAM

**I. INTRODUCTION**

1 On October 21, 2010, Puget Sound Energy, Inc. (“PSE”) filed with the Washington Utilities and Transportation Commission a petition for an order authorizing amendments to PSE’s Service Quality Index (“SQI”) Program. PSE asks the Commission to approve the Petition no later than December 31, 2010, so that the changes can be applied to the 2010 SQI reporting period.

2 The specific changes requested by PSE are as follows:

1. The current benchmark for SQI-3: System Average Interruption Duration Index (“SAIDI”) is an average of 136 outage minutes per customer per year, excluding “major events” days when more than 5 percent of PSE’s customers are out of service. PSE proposes to change the benchmark to 320 outage minutes for four annual reporting periods, 2010 through 2013, with a corresponding performance calculation based on a 5-year rolling average of

annual SAIDI results.<sup>1</sup> Exclusions for major events will no longer be part of the SQI-3: SAIDI performance measure, except for exceptional annual results, such as those that reflect the 2006 “Hanukah Eve Storm” or other outage event that PSE receives explicit Commission approval to exclude.<sup>2</sup>

2. PSE proposes to exclude 2006 total SAIDI minutes of 2,636 from the 5-year rolling performance calculation for the 2010 reporting year.<sup>3</sup>
3. PSE proposes “housekeeping” changes to SQI-10: Kept Appointments and SQI-11: Electric Safety Response Time, due to the elimination of the major event exclusion.<sup>4</sup>
4. PSE proposes a due date for its annual SQI Report to be on or before March 31. The annual report would combine into one report the SQI Report, Electric Service Reliability Report, and Service Provider Report.<sup>5</sup>

3 Commission Staff supports the Petition and recommends Commission approval without hearing and without delay to PSE’s next general rate case. The current SQI-3: SAIDI benchmark and annual performance measure do not measure sufficiently PSE’s

---

<sup>1</sup> Petition at ¶¶ 14 and 18. The proposed calculation of the SQI-3: SAIDI benchmark and the annual performance measure are contained in Exhibit A of the Petition. No changes are proposed 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 \$337,000.

<sup>2</sup> This proposal is consistent with the current SQI mitigation request standard and procedure: 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.

*WUTC v. Puget Sound Energy, Inc.*, Docket No. UE-011570, 12<sup>th</sup> Suppl. Order, Appendix A at Exhibit J, Section D.8 (June 20, 2002).

<sup>3</sup> Petition at ¶ 15.

<sup>4</sup> Petition at ¶ 19.

<sup>5</sup> Petition at ¶ 20. The Electric Service Reliability Report and Service Provider Report are required by WAC 480-100-393, WAC 480-100-398 and Docket UE-060391. The combined report would be initiated for the 2010 reporting period, if the Petition is approved in 2010. If the Petition is not approved until 2011, the combined report will start in 2011.

overall power system reliability or customer satisfaction with PSE's outage restoration efforts. While Staff does not have complete confidence in the new annual performance measure proposed by PSE, the proposal would apply only for a limited period (2010-2013) and PSE commits to initiate timely discussions with Staff and other stakeholders to examine SQI-3: SAIDI for application after 2013.

4 PSE also makes other important commitments regarding investments in system reliability, studies of outage response and restoration times, and dates certain to establish operational outage management and electric geographic information systems. Overall, these commitments also help to outweigh Staff's concerns with PSE's proposed temporary modifications to SQI-3: SAIDI.

## II. BACKGROUND

5 As a condition of the 1997 merger between Puget Sound Power & Light Company and Washington Natural Gas Company, the Commission ordered the merged company (PSE) to implement a customer SQI Program.<sup>6</sup> The stated purpose of the SQI Program was to ensure that the quality of customer service did not decline as a result of the merger.<sup>7</sup>

6 The SQI Program required PSE to meet ten benchmarks regarding:

1. Overall Customer Satisfaction
2. Commission Complaint Ratio
3. System Average Interruption Duration Index (SAIDI)
4. System Average Frequency Duration Index (SAIFI)
5. Customer Access Center Answering Performance

---

<sup>6</sup> *In re Application of Puget Sound Power & Light Company and Washington Natural Gas Company*, Docket Nos. UE-951270 and UE-960195, 14<sup>th</sup> Supp. Order Accepting Stipulation; Approving Merger (February 5, 1997).

<sup>7</sup> *Id* at 13.

6. Customer Access Center Transaction Satisfaction
7. Gas Safety Response Time
8. Field Service Operations Transaction Customer Satisfaction
9. Disconnection Ratio
10. Missed Appointments.<sup>8</sup>

Associated penalties for failure to achieve a benchmark were established and PSE was required to file an annual SQI Report regarding its performance under the SQI Program.

7 From time to time the Commission has authorized changes to the SQI Program. A benchmark regarding electric safety response time was added in 2002 and a number of minimum performance levels were enhanced.<sup>9</sup>

8 In 2008, the Commission authorized continuation of PSE's SQI Program with certain revisions and new terms and conditions.<sup>10</sup> No revisions to SQI-3: SAIDI were authorized. The benchmark remained an average of 136 outage minutes per customer per year excluding major events.

9 Finally, in 2009 the Commission authorized a change in the SQI-9: Disconnection Ratio annual benchmark.<sup>11</sup> That authorization included the following provision:

The Twelfth Supplemental Order entered in Dockets UE-011570 & UG-011571 on June 20, 2002, is modified by changing the annual benchmark for SQI-9: Disconnection Ratio from 0.030 to 0.038 effective starting January 1, 2010, and by amending Order 12 in Dockets UE-072300 and

---

<sup>8</sup> *In re Application of Puget Sound Power & Light Company and Washington Natural Gas Company*, Docket Nos. UE-951270 and UE-960195, 14<sup>th</sup> Supp. Order Accepting Stipulation; Approving Merger (February 5, 1997).

<sup>9</sup> *WUTC v. Puget Sound Energy, Inc.*, Docket Nos. UE-011570 and UG-011571, 12<sup>th</sup> Supp. Order Rejecting Tariff Filing; Approving and Adopting Settlement Stipulation Subject to Modifications, Clarifications and Conditions (June 20, 2002).

<sup>10</sup> *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-72300 and UG-072301, Order 12 at Appendix D: Partial Settlement Stipulation Re: Service Quality, Meter and Billing (October 8, 2008). One of the revisions authorized by Order 12 was the elimination of SQI-1: Overall Customer Satisfaction.

<sup>11</sup> *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-72300 and UG-072301, Order 14 (November 13, 2009).

UG-072301 if, and to the extent, necessary to effectuate the terms of this Order.<sup>12</sup>

### III. ARGUMENT IN SUPPORT OF PETITION

#### A. The Current SQI-3: SAIDI is Not a Proper Indicator of PSE's Quality of Service

##### 1. Overall System Reliability and Customer Satisfaction With PSE's Outage Restoration Efforts Are Not Measured Adequately By The Current SQI-3: SAIDI Benchmark and Performance Calculation

10 PSE's Petition succeeds in showing two primary deficiencies with the current SQI-3: SAIDI benchmark and performance measurement calculation. First, the current methodology does not reflect customers' overall experience regarding PSE's power restoration efforts. PSE has been unable to meet the current SQI-3: SAIDI benchmark since 2006. Nevertheless, PSE experienced a decrease in outage-related customer complaints received by either PSE or the Commission.<sup>13</sup> Likewise, the percentage of customers that were satisfied with PSE's power restoration response increased.<sup>14</sup>

11 Second, the current SQI-3: SAIDI benchmark and performance measurement calculation no longer measure adequately PSE's overall system reliability performance. The reason for this deficiency is the current exclusion for major events, which focuses on PSE's day-to-day operations rather than overall system performance. The Petition shows that prior to 2006, the annual percentage of SAIDI minutes excluded from SQI-3 as a major event ranged from 33-75 percent, which correlated positively with total SAIDI results.<sup>15</sup>

---

<sup>12</sup> *Id.* at ¶ 12.

<sup>13</sup> Petition at ¶ 11.

<sup>14</sup> *Id.*

<sup>15</sup> Petition at ¶ 12.

However, more recently these percentages have trended downward to 47 percent, 19 percent and 12 percent in 2007, 2008 and 2009, respectively.<sup>16</sup>

12 PSE states:

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.<sup>17</sup>

PSE proposes a temporary SQI-3: SAIDI benchmark and performance calculation that will assess overall system performance, rather than just day-to-day performance. Staff supports this change because tracking overall system performance may be a better indicator of whether customers have experienced a deterioration in their quality of service.

## **2. The Current Definition of a "Major Event" Is Inconsistent With Industry Standards For Measuring Power System Reliability**

13 Under the existing SQI-3: SAIDI benchmark, a "major event" is excluded from calculating the annual performance measure. A "major event" is defined to include days when 5 percent or more of PSE's customers are out of service.

14 This definition is not consistent with the industry standard for evaluating electric power system reliability. Rather, the Institute of Electrical and Electronics Engineers, Inc. ("IEEE") recommends evaluating reliability using a calculation of major event days that finds for each company the appropriate break point between day-to-day operations and major event operations.<sup>18</sup> IEEE also uses a performance calculation based on annual data

---

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> IEEE Power Engineering Society, 1366<sup>TM</sup>: *IEEE Guide for Electric Power Distribution Reliability Indices* (New York: IEEE, 2004) 8, 9.

rather than a 5-year rolling average performance calculation.<sup>19</sup> Further refinements to Standard 1366 are currently under consideration by IEEE.<sup>20</sup>

15 The IEEE standard should be incorporated into the SQI Program, and the temporary nature of the proposed modifications to SQI-3: SAIDI allows time for this adjustment. Indeed, PSE commits to incorporate into the permanent SAIDI mechanics IEEE Standard 1366 or other similar industry-accepted benchmark for measuring system reliability.<sup>21</sup>

**B. The SQI Program Modifications Proposed By PSE Are Temporary Changes That Would Apply Only Through 2013; Approval of Those Changes Should Not Be Delayed Until The Next General Rate Case**

16 PSE asks the Commission to approve modifications to SQI-3: SAIDI for only four annual reporting periods from 2010 through 2013. PSE also commits to initiating discussions with Staff and other stakeholders by June 30, 2013, to amend the SQI Program addressing, at a minimum, SQI-3: SAIDI and SQI-4: SAIFI, for the performance year 2014 and beyond.<sup>22</sup>

17 The temporary nature of the proposed changes will enable Staff to more easily compare the modifications to industry standards and make a reasoned recommendation for the appropriate benchmark for the 2014 performance period and beyond. This factor mollifies any concerns Staff may have with the proposed performance measurement calculation based on a 5-year rolling average of SAIDI results.

---

<sup>19</sup> Petition at ¶ 18, n17.

<sup>20</sup> Petition at ¶ 18.

<sup>21</sup> *Id.*

<sup>22</sup> Petition at ¶ 21e. If PSE does not file by December 1, 2013 either a petition to permanently amend the SQI Program or a request to extend the temporary SQI-3: SAIDI benchmark and performance measure, SQI-3: SAIDI will revert to the 2009 benchmark and performance calculation until modified by Commission order. PSE may request to extend the temporary SQI-3: SAIDI 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. Under this scenario, all parties will have the opportunity to comment on PSE's request.

The temporary nature of the proposed changes also distinguishes PSE's current Petition from a recent proceeding in which the Commission delayed until PSE's next general rate case the issue of whether to permanently modify the SQI Program.<sup>23</sup> Since PSE now proposes changes only on a temporary basis, there is no reason to delay Commission consideration of the Petition until PSE's next general rate proceeding. Nor is there reason to re-examine the temporary modifications to SQI-3: SAIDI during the next rate case when those modifications will be no less than half-way to completion of their proposed term.<sup>24</sup>

**C. PSE Offers Significant Commitments Regarding Service Reliability That Outweigh Potential Shortcomings of The Proposed Temporary Annual Performance Measure**

In its Petition, PSE also commits expressly to the following activities:

1. Continuing investments in reliability-related plant and practices, and reporting on investment trends in the combined annual report;
  2. Continuing studies of PSE first responders' and PSE's service providers' outage response and restoration times;
  3. Holding informal meetings with Staff to report on these initiatives around January 2011 and July 2011;
  4. Establishing an operational outage management system by October 1, 2012;
- and

---

<sup>23</sup> *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-72300 and UG-07230, Order 16 (August 31, 2010). The Commission allowed PSE to eliminate SQI-9: Disconnection Ratio, but only on an interim basis until the next rate case.

<sup>24</sup> Even if PSE filed a general rate case tomorrow, a Commission decision in that case would not likely be rendered until late 2011, which would leave only 2 years remaining of the 4-year SQI-3: SAIDI trial period, 2010-2013.



5. Implementing an electric geographic information system by December 30, 2015.<sup>25</sup>

20 These commitments should have a significant positive impact on the reliability of PSE's electric power system and PSE's response to power outage events. Along with the temporary nature of the proposed modifications to SQI-3: SAIDI and PSE's commitment to work with Staff and other stakeholders on a permanent revision, these commitments allow Staff to recommend approval of the Petition.

**D. The Commission Should Approve PSE's Petition Without Hearing**

21 The effect of PSE's Petition in this case is to request amendments to prior Commission orders regarding the SQI Program. WAC 480-07-875(1) states that the Commission may amend any prior order that it has entered,

after notice to the public service company or companies affected and to all parties in the underlying proceeding, and after allowing an opportunity for hearing as in the case of complaints.

The rule does not require that a hearing be held. It only requires an opportunity for a hearing.<sup>26</sup>

22 In Staff's opinion, the issues raised by PSE's Petition can be decided on a paper record. Staff, therefore, does not request the opportunity for a hearing. Nor has PSE in its Petition requested the opportunity for hearing.

23 Other parties may comment on PSE's request and may argue that a hearing is required before the Commission can decide the Petition. Any party making such a request

---

<sup>25</sup> Petition at ¶ 21. Ultimately, PSE's specific investments in any of these activities will be subject to a complete prudence review in the appropriate rate proceeding.

<sup>26</sup> See also, RCW 80.04.210:

The commission may at any time, upon notice to the public service company affected, and after opportunity to be heard as provided in the case of complaints rescind, alter or amend any order or rule made, issued or promulgated by it . . .

should be required to show good cause that a hearing is justified. Absent a showing of good cause, no hearing should be convened.

#### IV. CONCLUSION

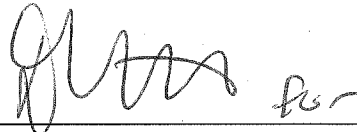
24

For the reasons stated above, Staff recommends that the Commission grant the Petition of Puget Sound Energy, Inc. in this proceeding. Commission approval should be granted without hearing and without delay to PSE's next general rate case.

DATED this 10<sup>th</sup> day of November, 2010.

Respectfully submitted,

ROBERT M. MCKENNA  
Attorney General

A handwritten signature in black ink, appearing to read "R. Cedarbaum", is written over a horizontal line.

ROBERT D. CEDARBAUM  
Assistant Attorney General  
Counsel for Washington Utilities and  
Transportation Commission Staff