

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

WASHINGTON UTILITIES AND)	DOCKETS UE-072300 &
TRANSPORTATION COMMISSION,)	UG-072301 (<i>Consolidated</i>)
)	
Complainant,)	
)	
v.)	ORDER 17
)	
PUGET SOUND ENERGY, INC.,)	
)	GRANTING PSE’S PETITION FOR
Respondent.)	APPROVAL OF MODIFICATIONS
)	TO ITS SERVICE QUALITY INDEX
)	PROGRAM
.....)	

SUMMARY

- 1 **PROCEEDINGS.** On October 21, 2010, Puget Sound Energy, Inc. (“PSE” or “the Company”) filed a petition with the Washington Utilities and Transportation Commission (Commission) requesting temporary modifications to its Service Quality Index (SQI)-3: System Average Interruption Duration Index (“SAIDI”) benchmark and the associated SQI-3 performance calculation. PSE requests in addition Commission approval for 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. 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 On November 10, 2010, the Commission’s regulatory staff (Commission Staff or Staff), filed an answer supporting PSE’s petition. Staff recommends Commission approval of PSE’s petition without hearing.

- 3 Neither the Public Counsel Section of the Washington Office of Attorney General (Public Counsel) nor any other person filed an answer to PSE’s petition within the 20 day time period allowed for such answers under WAC 480-07-370.

4 **PARTY REPRESENTATIVES.** All parties to this proceeding were served with PSE's petition that is the subject of this phase of Docket UE-072300, but only PSE and Staff elected to participate actively.¹ Tom DeBoer, Director - Federal & State Regulatory Affairs, PSE, Bellevue, Washington, represents the Company. Robert D. Cedarbaum, Senior Assistant Attorney General, Olympia, Washington, represents Commission Staff.²

MEMORANDUM

I. Background

5 PSE 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"³ and to "protect

¹ The party representatives in the underlying general rate proceedings in Dockets UE-072300 and UG-072301 (consolidated) were as follows: Kirstin S. Dodge, Sheree S. Carson and Jason Kuzma, Perkins Coie, Bellevue, Washington, representing PSE. Simon ffitich, Assistant Attorney General, Seattle, Washington, representing the Public Counsel. S. Bradley Van Cleve and Irion Sanger, Davison Van Cleve, Portland, Oregon, representing the Industrial Customers of Northwest Utilities. Chad M. Stokes, Cable Huston Benedict Haagensen & Lloyd LLP, Portland, Oregon, representing Northwest Industrial Gas Users. Elaine L. Spencer, Graham & Dunn PC, Seattle, Washington, representing Seattle Steam Company. Michael L. Kurtz and Kurt J. Boehm, Boehm, Kurtz & Lowry, Cincinnati, Ohio, represent the Kroger Co., on behalf of its Fred Meyer Stores and Quality Food Centers divisions. Norman Furuta and Scott Johansen, Department of the Navy, San Francisco, California, and San Diego, California, respectively, represent the Federal Executive Agencies. Ronald L. Roseman, Attorney, Seattle, Washington, representing the Energy Project. Damon Xenopoulos and Shaun Mohler, Brickfield Burchette Ritts & Stone, Washington, D.C., represent Nucor Steel Seattle, Inc. Mr. Cedarbaum has represented Staff throughout these proceedings.

² In formal proceedings, such as this case, the Commission's regulatory staff functions as an independent party with the same rights, privileges, and responsibilities as any other party to the proceeding. There is an "*ex parte* wall" separating the Commissioners, the presiding ALJ, and the Commissioners' policy and accounting advisors from all parties, including Staff. *RCW 34.05.455*.

³ *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).

customers of PSE from poorly-targeted cost cutting.”⁴ The details of the Program were most recently fully described in consolidated Dockets UE-011570 and UG-011571,⁵ and most recently extended and revised in consolidated Dockets UE-072300 and UG-072301.⁶ Since those dockets, the Commission has also granted an amendment of SQI-9: Disconnection Ratio,⁷ and a subsequent interim elimination of SQI-9 with a pending consideration during a general rate case for permanent elimination.⁸

6 The SQI Program, as originally established in 1997, 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
6. Customer Access Center Transaction Satisfaction
7. Gas Safety Response Time
8. Field Service Operations Transaction Customer Satisfaction

⁴ *Id.* ¶3.

⁵ *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.

⁶ *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.

⁷ *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]

⁸ *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).

9. Disconnection Ratio
10. Missed Appointments.⁹

One additional benchmark, SQI-11 Electric Safety Response Time, was added later. PSE is required to file an annual SQI Report regarding its performance under the SQI Program and is subject to penalties if it failed to achieve one or more benchmarks.

- 7 The existing SQI-3, System Average Interruption Duration Index (SAIDI), 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.

II. PSE's Proposal

- 8 PSE proposes in its petition to substitute a SAIDI measurement that represents all outages that customers experience, major events or not. The Company's proposal includes an SQI-3 SAIDI benchmark of 320 minutes and a corresponding annual performance calculation based on the 5-year-rolling average of the current and preceding 4 years of annual total SAIDI results. Neither the proposed benchmark nor the annual performance calculation include the effect of 2006 total SAIDI results because PSE considers 2006 to have been an extraordinary year, considering the "extreme effects of the 2006 Hanukah Eve Storm."¹⁰ The current major-event exclusion for SQI SAIDI will be replaced with an exclusion of only extraordinary annual results or outage events that are explicitly allowed by the Commission. PSE states that the provision for such exclusions will be consistent with the currently effective SQI mitigation petition standard and procedure set forth originally in Dockets UE-951270 and UE-960195.

⁹ *In re Application of Puget Sound Power & Light Company and Washington Natural Gas Company*, Docket Nos. UE-951270 and UE-960195, 14th Supp. Order Accepting Stipulation; Approving Merger (February 5, 1997). The name of this benchmark was subsequently changed to "Kept Appointments" and the measure was accordingly reversed.

¹⁰ PSE Petition ¶ 9. The Company expressly requests that 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.

9 PSE asks the Commission to approve these modifications to SQI-3: SAIDI for four annual reporting periods from 2010 through 2013. This is in anticipation of PSE's implementation of a new outage management system and the availability of analysis-ready data from the new system. PSE commits to initiating discussions with Staff and other stakeholders by June 30, 2013, to permanently amend the SQI Program by addressing, at a minimum, SQI-3: SAIDI and SQI-4: SAIFI, for the performance years 2014 and beyond.¹¹ PSE states in its petition that the Company expects to base the permanent SQI SAIDI mechanism on an industry accepted benchmark similar to IEEE¹² Standard 1366.

10 In addition to the proposed SQI-3 amendments, the Company requests the following two housekeeping changes due to the elimination of the major-event exclusion:

1. Change the definition of excused appointments in SQI-10: Kept Appointments, to read as follows:

“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.¹³

¹¹ Petition ¶ 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.

¹² “IEEE” stands for 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.

¹³ *WUTC v. Puget Sound Energy, Inc.*, Dockets UE-011570 and UG- 011571, Twelfth Supplemental Order (Amending part of Exhibit J, Appendix 2, page 12).

2. Revise SQI-11: Electric Safety Response Time, as follows:

Average number of minutes from customer call to arrival of electric first responder. Performance measurement of this index shall be suspended on: 1) ~~days that are excluded for SAIDI and SAIFI performance measurement (e.g., major events and associated carry forward days)~~ 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; and 2) days that are determined by the company to be “localized emergency event days” as defined by dispatch and utilization of all available electric first responders to the affected Local Area to respond to service outages.

11 The Company also requests that the due date for the SQI annual filing¹⁴ be on or before March 31. This will then coincide with the annual filing of PSE’s reliability report in accordance with WAC 480-100-393, WAC 480-100-398, and Docket UE-060391. The proposed revision of the SQI annual filing due date would allow the Company to combine all the required annual SQI and reliability reporting to the Commission into one filing to facilitate the review of the Commission staff or any other interested parties. The reporting requirements for the SQI Program established in various orders would remain in effect, except the change in due date proposed in PSE’s Petition.

12 Finally, 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.

¹⁴ *WUTC v. Puget Sound Energy, Inc.*, Docket UE-031946, Order No. 01. (Amending part of page 16 of Appendix 2 as substituted and revised).

- 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 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.

III. Commission Staff's Support for PSE's Petition

- 13 Staff agrees with PSE that the current SQI-3: SAIDI benchmark and annual performance measure do not measure sufficiently PSE's overall power system reliability or customer satisfaction with PSE's outage restoration efforts. Staff states that while it 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) during which PSE commits to initiate timely discussions with Staff and other stakeholders to examine SQI-3: SAIDI for application after 2013. Staff states in addition that PSE, as part of its petition, commits to investments in system reliability, studies of outage response and restoration times, and dates certain to establish operational outage management and electric geographic information systems, as previously discussed. These commitments, in Staff's view, help to outweigh Staff's concerns with PSE's proposed temporary modifications to SQI-3: SAIDI.
- 14 Staff identifies two primary deficiencies with PSE's current SQI-3: SAIDI benchmark and performance measurement calculation. First, according to Staff, 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. Likewise, the percentage of customers that were satisfied with PSE's power restoration response increased.

15 Second, Staff argues, 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. Staff is satisfied with PSE's analysis showing 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.¹⁵ However, according to the Company's analysis of the data, which Staff accepts, these percentages have trended downward to 47 percent, 19 percent and 12 percent in 2007, 2008 and 2009, respectively.¹⁶

16 Staff points to PSE's statement in its petition that:

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.¹⁷

17 PSE states that the temporary SQI-3: SAIDI benchmark and performance calculation that it proposes 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 deterioration in their quality of service.

18 Staff states that the definition of "major events," which are excluded from the current SAIDI measurement, is not consistent with the industry standard for evaluating electric power system reliability. Rather, Staff says, the IEEE recommends evaluating reliability using a calculation of major event days that finds for each company the appropriate break

¹⁵ Petition at ¶ 12.

¹⁶ *Id.*

¹⁷ *Id.*

point between day-to-day operations and major event operations.¹⁸ IEEE also uses a performance calculation based on annual data rather than a 5-year rolling average performance calculation.¹⁹ Further refinements to Standard 1366 are currently under consideration by IEEE.²⁰ Staff believes the IEEE standard should be incorporated into the SQI Program, and argues that the temporary nature of the proposed modifications to SQI-3: SAIDI allows time for this adjustment. Indeed, Staff states, PSE commits in its petition to incorporate into the permanent SAIDI mechanics IEEE Standard 1366 or other similar industry-accepted benchmark for measuring system reliability.²¹

IV. Commission Discussion and Determination

- 19 The changes PSE proposes with respect to SQI-3 SAIDI appear to be an effort to refine and improve this service quality measurement on an interim basis while the Company has an opportunity to collect new data and study the matter in more depth. During the interim period, PSE commits to work with Staff and other interested persons to develop further refinements and make the standard more consistent with the industry standard for evaluating electric power system reliability. In addition, PSE commits to a set of activities and investments meant to improve the Company's service quality and reliability.
- 20 The current SAIDI metrics are not working as intended inasmuch as the current methodology does not appear to be reflecting customers' overall experience regarding PSE's power restoration efforts. Moreover, the current SQI-3: SAIDI benchmark and performance measurement calculation is no longer measuring adequately PSE's overall system reliability performance. The refinements PSE proposes will make SQI-3 SAIDI more useful in the immediate term and for several years.
- 21 Staff supports PSE's proposal. No one objects to it.
- 22 We determine for these reasons that PSE's petition should be granted.

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

¹⁹ Petition at ¶ 18, n17.

²⁰ Petition at ¶ 18.

²¹ *Id.*

FINDINGS OF FACT AND CONCLUSION OF LAW

- 23 (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.
- 24 (2) PSE is an electric company and a public service company subject to Commission jurisdiction.
- 25 (3) 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 and concludes that the Petition should be granted as filed.

ORDER

THE COMMISSION ORDERS THAT:

- 26 (1) Puget Sound Energy's request to temporarily amend its Service Quality Index Program and revise the due date for the Company's annual SQI filing, as described in its petition, is granted.
- 27 (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.
- 28 (3) Puget Sound Energy is authorized and required to 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 UE-031946, Orders 12, 14, and 16 in consolidated Dockets UE-072300 and UG-072301, and all the changes approved by this Order within 20 business days after the effective date of this order.

- 29 (4) The Commission Secretary is authorized to accept by letter, with copies to all parties to this proceeding, a filing that complies with the requirements of this Order.
- 30 (5) The Commission retains jurisdiction to effectuate the provisions of this Order.

Dated at Olympia, Washington, and effective November 29, 2010.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner

NOTICE TO PARTIES: This is a Commission Final Order. In addition to judicial review, administrative relief may be available through a petition for reconsideration, filed within 10 days of the service of this order pursuant to RCW 34.05.470 and WAC 480-07-850, or a petition for rehearing pursuant to RCW 80.04.200 and WAC 480-07-870.