

**BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Petition of:

PUGET SOUND ENERGY, INC.

For An Order Excluding January 2012 Storm
Event from SQI-3 Performance Calculation

Docket Nos. UE-072300 and UG-072301
(consolidated)

PETITION FOR EXCLUSION OF
JANUARY 2012 STORM EVENT
FROM SQI-3 PERFORMANCE
CALCULATION

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 exclude the customer outage minutes associated with the unusual January 2012 snow, wind, and ice storms weather events from the performance calculation of PSE's Service Quality Index ("SQI") No. 3-System Average Interruption Duration Index ("SAIDI") for SQI years 2012 and after as described in this petition ("Petition"). The total SQI effect of the customer outage minutes associated with the January 2012 weather events is 1,269 SAIDI minutes.

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”) in 1997 pursuant to Docket Nos. UE-951270 and UE-960195, the dockets approving the merger of Washington Natural Gas Company and Puget Sound Power & Light Company (the “Merger Stipulation”). 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. The program has continued since 1997 to affirm PSE’s commitment to provide quality service to its customers.

5. On November 29, 2010, in the Commission’s Order 17 of Docket Nos. UE-072300 and UG-072301 (“Order 17”), the SQI-3: System Average Interruption Duration Index (“SQI SAIDI”) measurement was most recently modified to better reflect customers’ overall experience regarding PSE’s power restoration efforts. The revised SQI SAIDI³ measurement takes into consideration all types of outage events including Major Events⁴. The revised SQI SAIDI benchmark of an average of 320 customer outage minutes per customer per year is based upon the historical 5-year rolling annual averages excluding the 2006 SAIDI minutes⁵ plus one

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

² Id. (Order at 32:3-6).

³ SAIDI is the average outage duration for each customer served.

⁴ Major events are days when more than 5% of PSE’s electric customers are out of power and associated carry-forward days, during which those customers have their service restored.

⁵ Docket Nos. UE-072300 & UG-072301, Granting PSE’s Petition for Approval of Modifications to Its Service Quality Index Program (November 29, 2010) (Order at ¶ 27). The Commission specifically granted PSE’s request to

standard deviation. The overall annual SQI SAIDI performance⁶ evaluated against the 320-minute benchmark will be calculated as the average of most recent five annual total SAIDI⁷ results excluding 2006 SAIDI minutes, or other extraordinary years or events approved by the Commission.

6. The inclusion of the one standard deviation and the exclusion of 2006 SAIDI minutes from the benchmark and performance calculations imply that PSE would have 84%⁸ of chance meeting the benchmark in a typical year. That is, there is no extreme weather condition and PSE continues with its power restoration readiness and infrastructure improvements. For a year outside of norm, the SQI mitigation petition standard and procedure provides an avenue for relief if the performance results are driven by external factors over which PSE has little control.

III. STANDARD OF REVIEW

7. The Merger Stipulation and the succeeding SQI settlement agreements provide the following mitigation standard:

8. “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

exclude the effect of 2006 total SAIDI results of 2,636 SAIDI minutes from the benchmark and the five year rolling performance calculation for the applicable SQI reporting years.

⁶ SQI SAIDI = Rolling 5-year average of current year Annual Total SAIDI and prior four years Annual Total SAIDI results, excluding Annual Total SAIDI for 2006 or any subsequent exclusion approved by the Commission. Exclusions will be replaced by preceding Annual Total SAIDI performance results until there are 5 years included in the calculation of current year SQI SAIDI.

⁷ Annual Total SAIDI = (Total Customer Outage Minutes) / (Average Annual Electric Customer Count).

⁸ 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%.

by the Commission, a Commission order will be issued assessing any penalties and resolving any mitigation petition.”⁹

IV. PSE’S PREPARATION BEFORE THE STORM WAS REASONABLE

9. Annually, PSE updates its corporate emergency response plan, reviews employee emergency response assignments, conducts training and exercises its emergency response plan. PSE organizes for storm response with an Emergency Operations Center (the “EOC”) which has responsibility for corporate-wide oversight of storm response and recovery. When storms hit, the operating base management team in each regional offices, working with the EOC, determines crew resource needs and mobilizes crews from other areas as required.

10. Prior to each storm season, PSE operating bases conduct training and exercises that includes all employees with storm response assignments. Materials for storm response and outage restoration are inventoried and staged at each regional operating base to ensure adequate supplies. Equipment such as radios, computers, and other resources are tested and ready for use. A meeting is held with senior management of PSE and its primary electric emergency response support service provider, Potelco, to review any plan changes, expectations, and goals for storm response for that winter season. PSE also meets annually with each of county and state emergency management departments, public works roads divisions, and the Washington State Department of Transportation to coordinate local response and restoration activity.

11. For the October 1, 2011-March 31, 2012 storm season, the National Weather Service (“NWS”) predicted a La Niña winter season with colder and wetter weather in the Pacific Northwest. Starting on Friday, January 13, 2012, the NWS in Seattle held “Go To”

⁹ Dockets UE-951270 & UG-960195, Fourteenth Supplemental Order Accepting Stipulation; Approving Merger (February 5, 1997) (Stipulation at 13:10-15).

webinars nearly daily through the 20th, forecasting a very active weather pattern in the region. PSE participated in all of the “Go To” meetings, followed by internal pre-storm weather conference calls held on January 13th, 16th, and 17th. Pre-storm actions stemmed from these conference calls including the following:

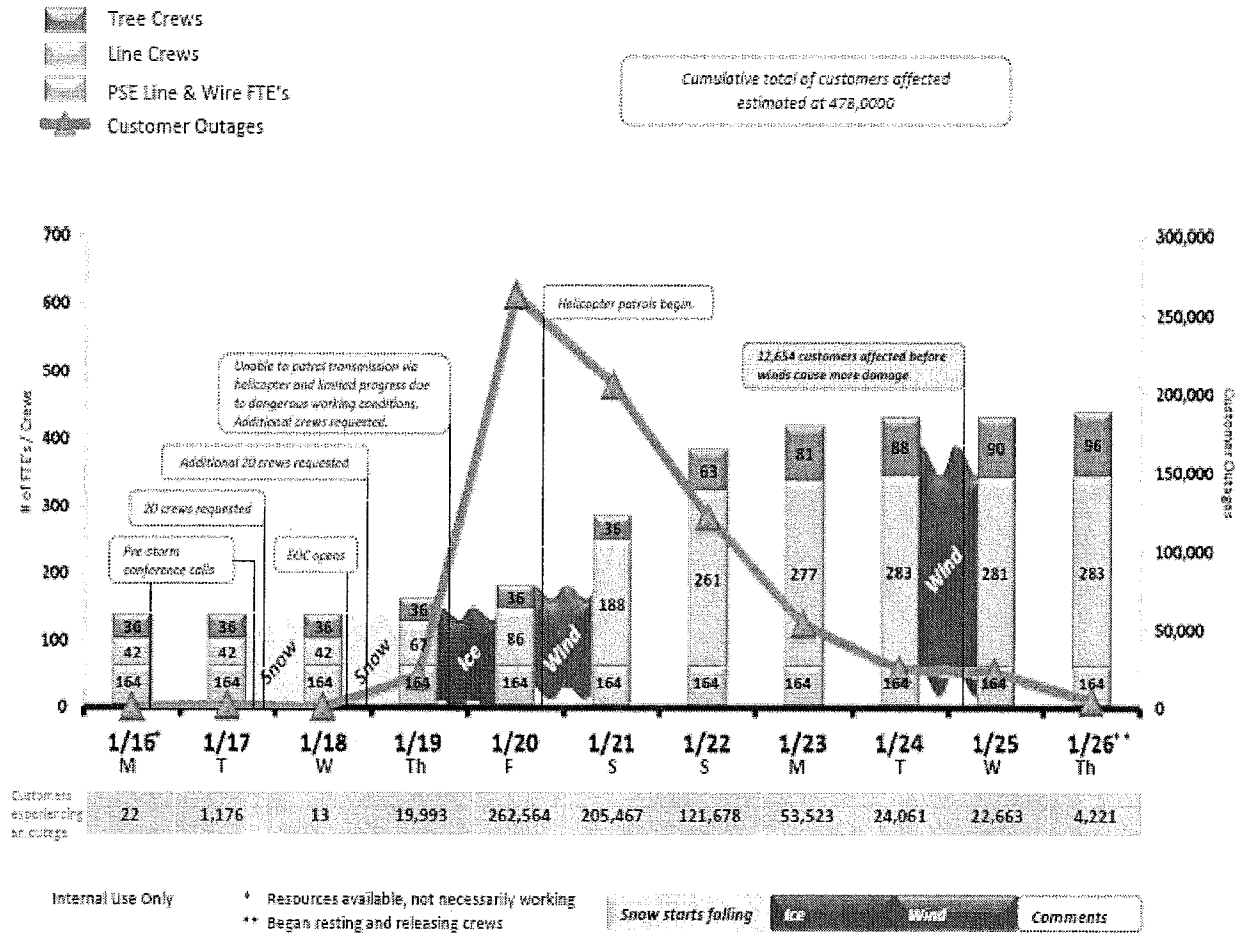
- Increasing the number of outside crews from 20 to 44,
- Obtaining additional four-wheel drive vehicles and other storm response and outage restoration supplies,
- Increasing the capacity on internal conference calls for operations and communications, and
- Reporting of electric dispatchers to individual operating bases instead of the main dispatch office.

V. JANUARY 2012 STORM EVENT WAS UNUSUAL AND EXCEPTIONAL

12. The January 2012 storm event (“January 2012 Storm Event” or the “Event”) encompassed a series of severe snow, wind, and ice storms beginning on Saturday, January 14th, with light snowfall that quickly spread across much of western Washington by Sunday. Snowfall continued on Monday and Tuesday with significant accumulations. On Wednesday a major storm system resulted in near record snowfall within the southwest interior of the Puget Sound area. On Wednesday, January 18th, the snow turned to freezing rain and continued into the day on Thursday, January 19th. The ice storm warning issued by the National Weather Service on the 19th was the first ever of its type. Ice accumulations that were originally forecasted to be less than 1/10th inch for areas south of Tacoma, turned out to be a range from 1/4th inch in King County to more than one inch in some parts of Pierce and Thurston Counties.

Total snowfall for the period between January 14th and 20th ranged from approximately six inches in Kitsap County to more than two feet in some parts of Thurston County-causing extraordinary damage to PSE infrastructure in these areas. A short-lived windstorm occurred overnight on Tuesday, January 24th, causing additional damage across much of PSE's service territory.

13. The chart below depicts the timing of the PSE's preparations, actions, occurrence of weather events, and number of customers without electricity at the time. In anticipation of the worsening weather conditions, the staging of the storm response resources started on January 16th. These resources included PSE employees, PSE's service providers, and crews from other Washington and out of state utilities and line construction companies. It was not until January 26th that PSE was able to start releasing those resources.

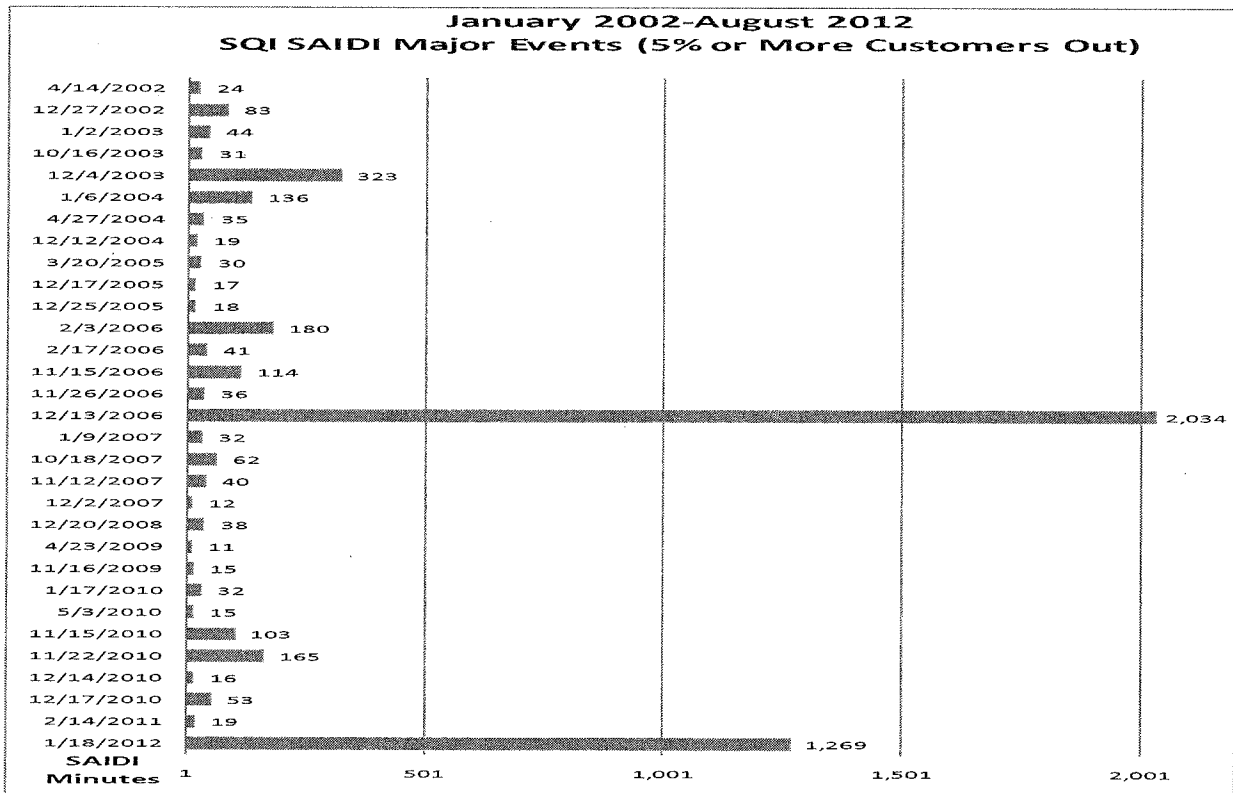


14. Due to the unusual compounding impact of the weather events¹⁰, about one third of PSE transmission lines were out and 50% of PSE electric customers were without power at some point during the January 2012 Storm Event. Another unusual aspect was that some customers experienced multiple outages during the same Event. PSE total system damage amounted to more than \$70 million. The SAIDI minutes from the January 2012 Storm Event are 1,269 minutes. Appendix A to this Petition is PSE’s January 2012 Storm Event Report¹¹ which details the impacts and costs of the Event.

¹⁰ “The snow and ice storm of January 2012 was one of the highest impact weather events for western Washington in the last few years”, The Office of Washington State Climatologist, *January 2012 Snowfall*, <http://www.climate.washington.edu/events/2012snow/>, accessed on August 29, 2012.

¹¹ Docket Nos. UE-040641 & UG-040640, first update filed with WUTC on April 16, 2012, and second update with revised costs information filed on June 5, 2012.

15. The following chart summarizes the SAIDI minutes of all the SQI Major Events that have occurred since January 2002. The exceptional January 2012 Storm Event (shown as the “1/18/2012” event) has a customer outage impact that surpasses that of all other Major Events except the 2006 Hanukkah Eve Windstorm (shown as the “12/13/2006” event).



16. A statistical analysis of all PSE SQI Major Events that occurred between January 2002 and August 2012 is included in Appendix B to this Petition. As demonstrated in the analysis, in terms of an SQI Major Event, the probability of the occurrence of an SQI Major Event with outage effect similar to the January 2012 Storm Event or the 2006 Hanukkah Eve Windstorm is less than 2.2%.

17. The table below is a comparison of storm details of the two exceptional outage events, given that January 2012 Storm Event was the first Major Event of a similar magnitude to the 2006 Hanukkah Eve Windstorm. The two extreme Major Events both caused extensive

damage to PSE electric infrastructure and left more than hundred thousands of PSE customers without power.

Comparison Data	2006 Hanukkah Eve Storm	January 2012 Storm
Customers who lost service	700,000	478,000
Transmission lines out	85	67
Substations out	159	74
Crews	335 line; 86 tree	285 line; 98 tree
Poles replaced	1,250	209
Crossarms replaced	1,400	1,077
Fuses replaced	17,000	5,500
Overhead transformers replaced	525	285
Miles of wire restrung	100	87
Insulators replaced	10,000	2,522
Power Restoration Cost	\$90 M	\$ 73 M
Days before power restored	9 to 10	8

VI. THIRD-PARTY REVIEW OF PSE RESPONSE TO JANUARY 2012 STORM EVENT

18. After the 2006 Hanukkah Eve Windstorm, KEMA Inc. (“KEMA”) was retained to review PSE’s restoration efforts during the 2006 December Windstorm. PSE retained KEMA again in 2012 to conduct a post storm review using the Hanukkah Eve Windstorm report as a baseline. The similarity of the two exceptional Major Events allows for comparison of PSE’s storm management between the two events; and serves as a basis in evaluating PSE’s implementation of the recommendations from KEMA’s 2006 Hanukkah Eve Windstorm post storm review report and in validating the effectiveness of those recommendations. Appendix C to this Petition is the redacted version of the 2012 KEMA Report¹² which summarizes the results of a third party review, by KEMA, of PSE’s response to the January 2012 storm event.

19. In particular, KEMA reported significantly improved PSE performance in the 2012 January Storm compared to the 2006 Hanukkah Eve Windstorm. KEMA concluded that the Company was very effective in planning for the storm event and in assessment and

¹² Docket No. U-120231, filed with WUTC on June 21, 2012. The filing included both confidential and redacted versions of the KEMA report.

management of the power restoration efforts among other improvements mentioned in the report. The four recommendations from the 2012 KEMA Report have been reviewed; three have been adopted and are in progress, the fourth (utilizing mobile digital technologies such as iPad¹³ in the field) is under further review.

20. Recognizing the extensive customer impact of the January 2012 Storm Event, the Company promptly petitioned with the Commission on January 23, 2012, to waive certain terms of PSE's electric tariff Schedule 131, Restoration Service Guarantee. Specifically, PSE requested that the Commission grant a one-time waiver of: (i) the requirements that customers either report their outage or request the Schedule 131 credit; and (ii) the limitation to \$1.5 million and 30,000 customers per calendar year.

21. On January 27, 2012, the Commission granted¹⁴ PSE's Schedule 131 petition on an expedited schedule. The Commission applauded "the Company's proactive approach to ensuring that all customers who experienced 120-hour power outages as a result of the most recent severe weather in the Puget Sound region will receive a \$50 Service Guarantee credit."¹⁵ Since the Commission's approval, more than 48,000 customers have received the credit. That is 18,000 customers or \$900,000 more than the 30,000 customers or \$1.5 million limits set in Schedule 131.

¹³ iPad is a trademark of Apple Inc., registered in the U.S. and other countries.

¹⁴ Docket Nos. UE-072300 & UG-072301, Granting Puget Sound Energy's Request to Amend Certain Terms of Schedule 131; Requiring Compliance Filing (January 27, 2012) (Order at ¶ 15).

¹⁵ Id. (Order at ¶ 12).

**VII. REQUEST FOR EXCLUSION OF THE UNUSUAL JANUARY 2012 STORM EVENT
FROM SQI SAIDI PERFORMANCE CALCULATION**

22. As a result of these discussions, the Company believes that the 1,269 SAIDI minutes associated with the January 2012 Storm Event should be excluded from the calculation of the 2012 and future annual SQI SAIDI results. The prolonged outages that occurred during the January 2012 Storm Event are due to the circumstances caused by unusual and exceptional weather conditions described in section V above. PSE's storm preparedness and restoration response was appropriate, which was confirmed and verified by KEMA's independent third-party review. Therefore, the 1,269 SAIDI minutes associated with the January 2012 Storm Event should be excluded.

VIII. REQUESTED ACTION

23. For the reasons set forth above, PSE respectfully requests that the Commission issue an order that:

- (1) Approves the exclusion of 1,269 SAIDI minutes associated with January 2012 Storm Event from the performance calculation for the 2012 SQI reporting year and applicable years following.

DATED: September 7, 2012.

PUGET SOUND ENERGY, INC.

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