

**BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Petition of:

PUGET SOUND ENERGY, INC.

For an Order Approving Modifications of
Service Quality Index No. 3

Docket No. UE-10 _____

PETITION FOR APPROVAL OF
MODIFICATIONS OF SERVICE
QUALITY INDEX

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.

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 (“SQIs” or “SQI 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”).

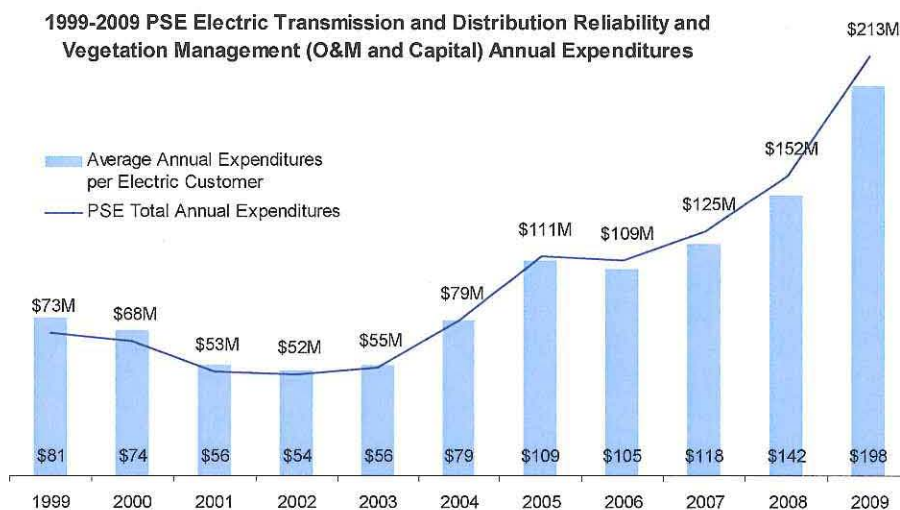
6. The benchmark of 136 outage minutes per customer per year with major-event exclusion was prescribed in the previous SQI settlement, Exhibit J of the Settlement Stipulation, Re: Service Quality Index, in the Twelfth Supplemental Order in Docket Nos. UE-011570 and UG-011571. Prior to changing the benchmark to 136 minutes in the 2001 proceeding, the annual benchmarks 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 the 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-960195.

¹ Docket Nos. UE-951270 & UG-960195, Stipulation, page 11, lines 14-15.

² Docket Nos. UE-951270 & UG-960195, Fourteenth Supplemental Order Accepting Stipulation; Approving Merger, page 32, paragraph 3, lines 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.

7. It has been always PSE’s commitment to maintain and improve its system reliability through a consistent level of spending in vegetation management programs and transmission and distribution capital projects and maintenance programs. The 1999⁴-2009 spending level not only outpaces the customer growth but also has been doubled since 1999 as illustrated in the following graph.

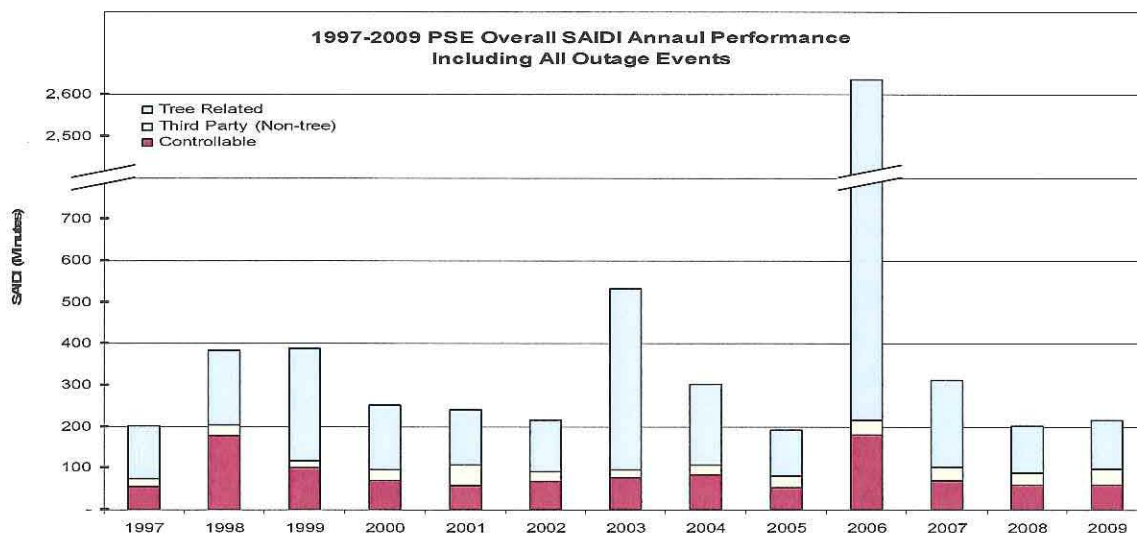


8. However, system improvements alone will not result in continuous improvement in PSE’s SAIDI performance as the performance is the combined results of outage causes and elements of power restoration that are both controllable and uncontrollable by the Company. Outages can be driven by a number of causes, not one appears to be the dominating cause, but all appear to influence the Company’s SAIDI results. These causes include:

- a. Company controllable events – outages potentially preventable or controllable by the Company, which includes equipment failure, operator error, electric overload, etc.;
- b. Third party caused events – 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 events – outages caused by trees and branches which has historically had the single largest impact on SAIDI.

⁴ 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.

9. In reviewing the SAIDI performance⁵ with all outage events (“all-in SAIDI”), *i.e.*, inclusive of the outages that are currently subjected to the SQI major-event exclusion, over the past thirteen years, PSE’s all-in SAIDI performance has been better for most of the years since 1997. Company-controllable 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. 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”.⁶ The all-in annual SAIDI 2006 was 2,636 minutes, which is 5 to 13 times of other years’ results.

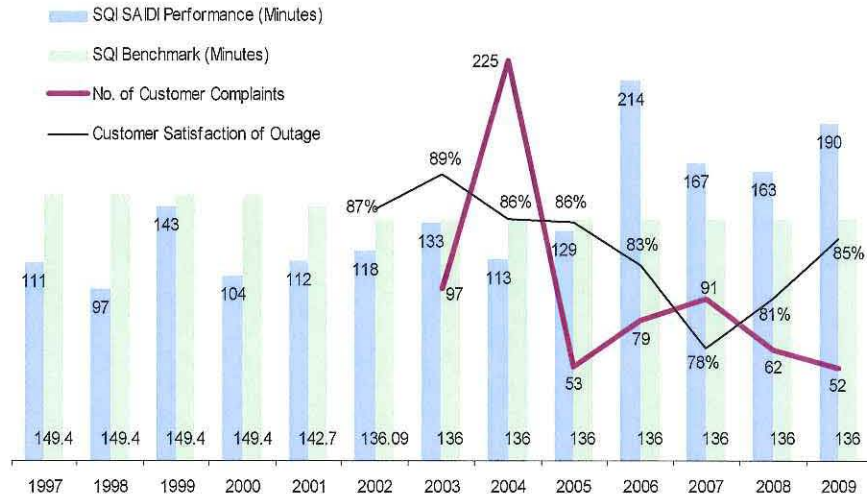


10. The duration of an outage starts when the outage is logged into PSE’s tracking system and is ended when the electric service is restored at the customer meter. The basic process includes dispatch time, serviceman travel time, assessment and patrol time, material gathering time, work-site clearance time, repair and restore time, and, if needed, dispatch and travel time for additional crews. 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 each these elements. However, PSE is reviewing the entire outage

⁵ All results shown here are at the calendar basis to align historical performance.

⁶ 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>>.

response process 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 all-in SAIDI performance has been improved for the recent years, the Company has not been able to meet its SQI SAIDI benchmark since 2006. For the three consecutive years, 2007-2009, the Company actually experienced a decrease in the numbers of outage related complaints⁷ received either by PSE⁸ or the Commission⁹ and an increase in the percentage of the customers satisfied¹⁰ with PSE’s outage response, as shown in the previous chart.

12. The key difference between the results of PSE’s all-in SAIDI performance and the 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

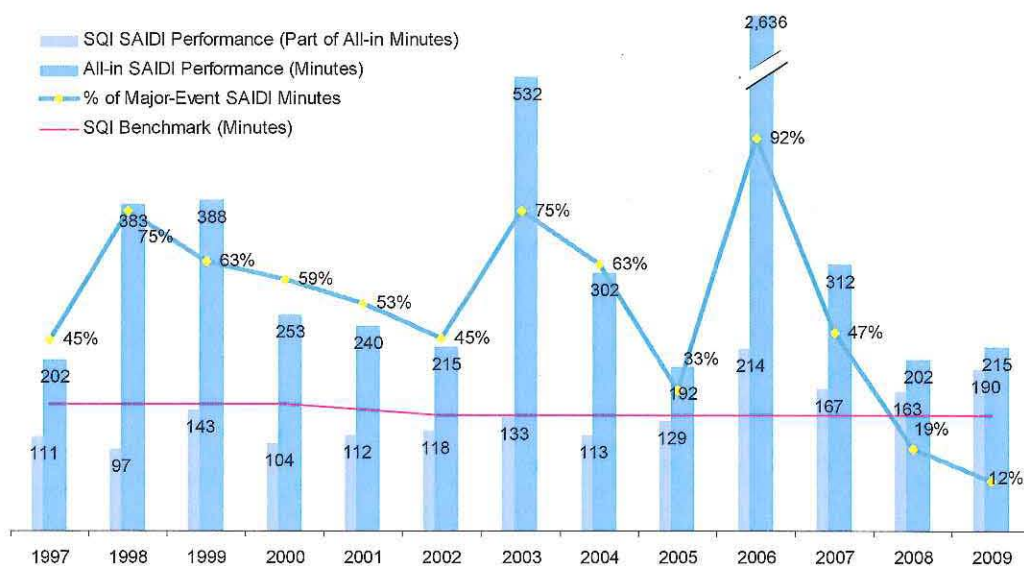
⁷ Complaints about system reliability; 2003 is the first year that PSE started to track the information.

⁸ 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.

⁹ Commission complaint – any single concern regarding sustained interruption or power quality filed by a customer with the Commission

¹⁰ 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.

also correlate positively with the all-in SAIDI results¹¹. 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 most three 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.



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 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. 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

¹¹ The correlation coefficient between the percentage of major event and the all-in 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.

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 all-in SQI SAIDI benchmark of 320 minutes and a corresponding annual performance calculation based on the 5-year-rolling average of annual SAIDI results. 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 all system-wide effectiveness in its reliability spending in order to meet the revised benchmark.

15. As shown in Exhibit, the proposal is based on the mean of 5-year-rolling averages of PSE's 1997-2005 and 2007-2009 annual all-in SAIDI results with one standard 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 all-in SAIDI results are excluded in the proposed benchmark as most of SAIDI minutes were resulting 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 SQI Program. However, the benchmark calculation in Exhibit A includes and excludes the 2006 results for comparison purposes.

16. The adder 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%¹² 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 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 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.¹³

18. The proposed changes to SQI-3: SAIDI benchmark and associated performance calculation will be effective only for a temporary period from 2010 through approximately 2014 or later in anticipation of PSE's implementation of a new outage management system and the availability of two-year analysis-ready data from the new system. The permanent SQI SAIDI mechanics will be based on the industry accepted benchmark similar to IEEE¹⁴ 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

¹² 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%.

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

these developments, the Company hereby proposes the temporary SQI-3: SAIDI changes to address the problems with current mechanics but will be proposing another update to the index prior to the conclusion of the temporary period.

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: Missed 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 suffering a electric outage and subsequent days when the service to those customers are being restored.

- b. The days that the SQI-11: Electric Safety Response Time performance measurement qualify for suspension be revised to:
 - i. a day that 5% or more of electric customers are suffering a electric outage and subsequent days when the service to those customers are being restored, and
 - ii. days that are determined by the Company to be “localized emergency event day” as defined by the dispatch and utilization of all available electric first responders to the affected Local Area to respond to service outages.

20. In addition to the SQI-3, SQI-10, and SQI-11 changes, the Company requests the due date for the SQI annual filing 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-06039. There is no change at this time to the electric service reliability monitoring and reporting plan approved by the Commission in Docket No. UE-06039 per WAC 480-100-393. Any changes to PSE’s electric service reliability monitoring and reporting plan will be filed separately with the Commission as prescribed in WAC 480-100-393. The revision

¹⁴ The Institute of Electrical and Electronics Engineers, Inc. The current IEEE guide for electric power

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 base on the proposed SQI mechanics and IEEE Standard 1366.

21. Furthermore, with this Application, the Company also commits to the following actions:
 - a. continuing investments in reliability improvement
 - b. continuing outage response and restoration times initiatives
 - c. informal meeting 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
22. Because the SQI changes PSE proposed in this Application 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 the Application, (2) approve the SQI-10: Missed Appointments, and SQI-11: Electric Safety Response Time, housekeeping text changes due to the elimination of SQI SAIDI major-event exclusion, (3) 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 (4) order the resulting adjusted benchmark to become effective starting with the 2010 SQI SQI Program year and the years following.

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 B which:

distribution reliability indices is published as IEEE Standard 1366.

- (1) approves the temporary changes to the annual SQI-3: SAIDI benchmark to 320 minutes and the associated annual performance be determined as described in the Application,
- (2) approves the SQI-10: Missed Appointments, and SQI-11: Electric Safety Response Time, housekeeping text changes due to the elimination of SQI SAIDI major-event exclusion,
- (3) 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, and
- (4) orders the resulting adjusted benchmark to become effective starting with the 2010 SQI SQI Program year and the years following.

DATED: July 8, 2010.

PUGET SOUND ENERGY, INC.

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

Exhibit A

Historical All-in SAIDI Annual Results
and
Proposed Benchmark and Performance Calculation

Exhibit A: Historical All-in 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 All-in SAIDI Results: all minutes including major events (Minutes) | Annual Performance Based on 5-Year-Rolling Average | Annual Results (b) Used in Calculation | Annual Performance Based on 5-Year-Rolling Average | Annual Results (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

Proposed Order

**BEFORE THE
WASHINGTON UTILITIES & TRANSPORTATION COMMISSION**

In the Matter of the Petition of:

PUGET SOUND ENERGY, INC.

For an Order Approving Modifications of
Service Quality Index No. 3

Docket No. UE-10_____

PETITION FOR APPROVAL OF
MODIFICATIONS OF SERVICE
QUALITY INDEX

MEMORANDUM

1 **PROCEEDINGS.** PSE first implemented its Service Quality Index Program (“SQIs” or “SQI 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”¹⁵ and to “protect customers of PSE from poorly-targeted cost cutting”¹⁶ as a result of the merger.

2 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

¹⁵ Docket Nos. UE-951270 & UG-960195, Stipulation, page 11, lines 14-15.

¹⁶ Docket Nos. UE-951270 & UG-960195, Fourteenth Supplemental Order Accepting Stipulation; Approving Merger, page 32, paragraph 3, lines 3-6.

average of 136 outage minutes per customer per year excluding major events and carry-forward days¹⁷ (“major-event exclusion”).

- 3 On July XX, 2010, PSE filed a Petition (“Petition”) to modify SQI-3: SAIDI benchmark and associated performance calculation: The Company proposes an annual all-in SQI SAIDI benchmark of 320 minutes and a corresponding annual performance calculation based on the 5-year-rolling average of current and proceeding 4- year annual SAIDI results. Major-event exclusion will no longer be a part of the SQI-3 performance measure, except for extraordinary annual results or outage events that are explicitly allowed by the Commission.
- 4 The benchmark of 136 outage minutes per customer per year with major-event exclusion was prescribed in the previous 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 the 2001 dockets, the annual benchmarks were: 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 the 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-960195.
- 5 Since 2006, the Company had not been able to meet the benchmark of SQI-3: SAIDI. PSE therefore conducted internal reviews of its SAIDI performance and commissioned external studies of its system reliability and outage response following the aftermath of 2006 Hanukah Eve Storm and during the subsequent years that the SQI-3: SAIDI benchmark was not met. The Company stated and demonstrated in its Application that the current SQI SAIDI benchmark and performance calculation appeared no longer measuring PSE’s overall system reliability performance and reflecting customer satisfaction of PSE’s outage restoration efforts.
- 6 In early 2009, the Company entered into discussions with 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. PSE indicated that 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.

¹⁷ 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.

As a result of these discussions, the Company filed the Application to demonstrate its continuous commitment to system reliability and why the current SQI-3 benchmark and performance calculation should be revised. PSE seeks the Commission's approval of the following SQI changes:

- a. SQI-3: SAIDI temporary benchmark and temporary performance calculation as outlined in Exhibit A to PSE's Application:
 - i. An annual all-in SQI SAIDI benchmark of 320 minutes and the corresponding annual performance calculation of 5-year-rolling average of annual SAIDI results.
 - ii. Exclusions for 2006 annual results and any other major events approved by the Commission following PSE's mitigation petition. The standard to be applied for such a petition will be consistent with the currently effective SQI mitigation petition standard and procedure set forth originally in Docket Nos. UE-951270 and UE-960195.
- b. SQI-10: Missed Appointments permanent housekeeping text change:
 - i. The definition of excused 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 suffering a electric outage and subsequent days when the service to those customers are being restored.
- c. SQI-11: Electric Safety Response Time permanent housekeeping text change:
 - i. The performance measurement qualify for suspension be revised to:
 - (1) a day that 5% or more of electric customers are suffering a electric outage and subsequent days when the service to those customers are being restored, and
 - (2) days that are determined by the Company to be "localized emergency event day" as defined by the dispatch and utilization of all available

electric first responders to the affected Local Area to respond to service outages.

- d. A permanent change to 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
- e. The changes specified above in this section to become effective starting with the 2010 SQI SQI Program year and the years following.

8 The Company also commits in its Application to the following actions:

- a. A filing of permanent SQI SAIDI mechanics around 2015 that will be based on the industry accepted benchmark similar to IEEE Standard 1366¹⁸ following PSE's implementation of its new outage management system and the availability of two-year analysis-ready data from the new system.
- b. Continuing investments in reliability improvement.
- c. Continuing investments in reliability improvement.
- d. Continuing outage response and restoration times initiatives.
- e. Informal meeting with the Commission Staff to report on the outage response and restoration times initiatives around January 2011 and July 2011 depending on availability of 6-full-month and 12-full-month data, respectively.

9 Based on the record in this proceeding, the Commission finds that PSE's proposed SQI-3: SAIDI amendments appropriately address the problem the Company has identified with the original SQI SAIDI performance measure until the establishment of a permanent mechanic.

ORDER

THE COMMISSION ORDERS THAT:

¹⁸ The Company stated that IEEE currently is considering changes to the 1366 methodology and it is also possible that some reliability metrics will be refined as part of federal stimulus funds for smart-grid projects.

- 10 (1) Puget Sound Energy, Inc.'s July 8, 2010, Petition for Approval of Modifications of Service Quality Index is granted by amending Order 12 in Dockets UE-072300 and UG-072301 if, and to the extent, necessary to effectuate the terms of this Order.
- 11 (2) Puget Sound Energy, Inc. must use the revised benchmark and calculation for SQI-3 approved by this Order in its SQI reporting effective January 1, 2010.
- 12 (3) Puget Sound Energy, Inc. must file annual service quality performance reports with the Commission on March 31st of each year with the combining of the SQI Report, Electric Service Reliability Report, and Service Provider Report into one report.
- 13 (4) Puget Sound Energy, Inc. must file a permanent SQI SAIDI mechanics around 2015 that will be based on the industry accepted benchmark similar to IEEE Standard 1366 following PSE's implementation of its new outage management system and the availability of two-year analysis-ready data from the new system.
- (2) The Commission retains jurisdiction to effectuate the terms of this Order.

Dated at Olympia, Washington, and effective August __, 2010.

WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

JEFFREY D. GOLTZ, Chairman

PATRICK J. OSHIE, Commissioner

PHILIP B. JONES, Commissioner