

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

In the Matter of the Application of)	
)	DOCKET NO. UE-031946
PUGET SOUND ENERGY, INC.)	
)	ORDER NO. 01
For Approval of Amendment to Service)	ORDER GRANTING
Quality Index Reporting Methodology:)	APPLICATION; APPROVING
Electric Safety Response Time)	AGREEMENT REGARDING
)	SQI-11 AMENDMENT WITH
)	MODIFICATIONS
.....)	

SYNOPSIS. The Commission grants, with minor changes, a proposed settlement agreement modifying a certain performance measurement for Puget Sound Energy.

I. BACKGROUND

- 1 **Nature Of Proceeding.** This proceeding involves a request by Puget Sound Energy, Inc. (PSE or the Company) to amend a performance measure for electric safety response time included in Exhibit J to the Settlement Stipulation for Electric and Common Issues, approved by the Commission in the Twelfth Supplemental Order in consolidated Docket Nos. UE-011570 and UG-011571.

- 2 **Party Representatives.** Kirsten S. Dodge, Perkins Coie LLP, Seattle, Washington, represents the Company. Robert D. Cedarbaum, Senior Counsel, Olympia, Washington, represents Commission Staff. Simon J. ffitich, Assistant Attorney General, Seattle, Washington, represents Public Counsel. Christian W. Griffen, Davison Van Cleve PC, Portland, Oregon, represents the Industrial Customers of Northwest Utilities.

- 3 **Procedural History.** On November 26, 2001, PSE filed tariff revisions designed to effectuate a general rate increase for electric and gas services. On December 3, 2001, PSE filed a request for an interim electric rate increase. These proceedings were consolidated under Docket Nos. UE-011570 and UG-011571.
- 4 On June 20, 2002, the Commission approved a multi-party settlement stipulation of disputed electric and common issues (Stipulation) in its Twelfth Supplemental Order: Rejecting Tariff Filing; Approving and Adopting Settlement Stipulation dated June 20, 2002 (Twelfth Supplemental Order) entered in consolidated Docket Nos. UE-011570 and UG-011571. Exhibit J to the Stipulation set forth details regarding settlement terms for the Service Quality Index (SQI Settlement), including SQI-11, which established a performance measure for electric safety response time.
- 5 On November 25, 2003, PSE filed with the Commission in Docket No. UE-031946 an Application for Approval of Amendment to Service Quality Index Reporting Methodology: Electric Safety Response Time. Attached to PSE's application as Exhibit A is an Agreement Regarding Amendment to Service Quality Index Reporting Methodology; SQI-11: Electric Safety Response Time, (SQI-11 Agreement), executed by the parties to the Stipulation, PSE, Commission Staff, the Public Counsel Section of the Attorney General's Office, and Joint Intervenors the Multi-Service Center, Opportunity Council and Energy Project (Executing Parties). Exhibit A to the application also includes revised pages to Appendix 2 to Exhibit J to the Stipulation.
- 6 On March 23, 2004, the Commission issued a Notice of Amendment of Commission Order and Notice of Opportunity to File Comments on PSE's application. On March 29, 2004, the Industrial Customers of Northwest Utilities (ICNU) filed a motion requesting a one-week continuance of the deadline to file comments. The Commission granted ICNU's request.

- 7 On April 5, 2004, ICNU filed comments with the Commission expressing concern about aspects of the SQI-11 Agreement and suggesting modifications to the proposal. Commission Staff advised that Staff supports the SQI-11 Agreement, and requested the opportunity to respond to ICNU's comments. The Commission issued a notice on April 6, 2004, requiring responses to ICNU's comments to be filed by April 21, 2004. On April 21, 2004, the Company, Commission Staff, and Public Counsel filed responses to ICNU's comments, opposing most of ICNU's suggested modifications.
- 8 Due to the controversy among those filing comments on the SQI-11 Agreement, the Commission on April 28, 2004, requested comments from the parties concerning whether a hearing was necessary to resolve the dispute and if so, the parties' preference for the form of a hearing. On May 3, 2004, Commission Staff filed a letter notifying the Commission that Staff, PSE, Public Counsel and ICNU agree that no hearing is necessary to resolve the dispute, and agree to submit the case for decision based upon the written materials filed with the Commission.

II. MEMORANDUM

A. The Company's Concerns With The Current Version of SQI-11.

- 9 Exhibit J to the Stipulation approved in the Twelfth Supplemental Order sets forth the SQI Settlement, including a performance measure for electric safety response time, SQI-11. Specifically, section 11 (SQI-11) of the SQI Settlement provides: "Average number of minutes from customer call to arrival of electric field technician. Performance measurement of this index shall be suspended on days that are excluded for SAIDI and SAIFI performance measurement (e.g., major events and associated carry forward days)." This means that only days determined to have "Major Events," where more than 5% of all of PSE's customers are out of electric service (and associated carry forward days), may be excluded from the SQI-11 reporting requirements.

10 At the time the participants in the rate case SQI collaborative entered into the Stipulation, however, the reporting and tracking requirements for SQI-11 did not contemplate that a localized emergency event, in which less than 5% of all of PSE's customers are out of service, would have the same impact on the Company's ability to track and report response times as is experienced by the Company in the course of a "Major Event." During the interim reporting period of October through December 2003, however, the Company discovered that during a localized emergency event (*e.g.*, an event that affects only part of the Company, such as a storm that affects only Whatcom, Skagit, and Island counties), where there are numerous outages, the Company cannot fully track performance for Electric Safety Response Time. PSE thus requested that the other Executing Parties enter into discussions concerning a possible amendment to SQI-11 to recognize the difficulties caused by localized emergency events.

B. The Agreement and Proposed Changes to SQI-11 and Other Items.

11 The Executing Parties subsequently agreed that an amendment to the reporting methodology for Electric Safety Response Time should be made. The Executing Parties have memorialized their agreement to this change in the SQI-11 Agreement, attached to PSE's Application as Exhibit A.

12 The Executing Parties have agreed that SQI-11 should be amended 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); 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.

Local Areas are defined in the SQI Settlement as “one of five electric first-responder operating basis [sic] throughout the PSE service territory.” The Local Areas are shown in Appendix A to Exhibit J at page 14.

- 13 In addition, the Executing Parties agreed that “PSE shall provide supplemental reporting, in both its annual and semi-annual service quality reports, of all days during the reporting period on which major events or localized emergency event days occurred that resulted in suspension of SQI No. 11, Electric Safety Response Time. This supplemental reporting shall begin for data as of January 1, 2003 and shall continue for a period of at least three calendar years.” *SQI-11 Agreement at 2*. This supplemental reporting is to be included with both annual and semi-annual service quality performance reports filed during the supplemental reporting period.
- 14 The SQI-11 Agreement explains that one of the primary goals for this supplemental reporting is to develop an objective criterion for defining localized emergency event days. After three-years of supplemental reporting, the parties will determine if sufficient data exists to develop an objective criterion or if additional supplemental reporting is warranted. At that time, the SQI-11 Agreement proposes that the Company or any party to the Agreement may propose modifications to take effect January 1, 2006, if needed, to the performance measurement of this index, *i.e.*, the average number of minutes from customer call to arrival of electric first responder, based on these supplemental reports. Modifications may include the benchmark of this index as well as the definition or criteria for declaring the occurrence of a localized emergency event day. The parties have agreed that changes to the benchmark may not be retroactive. In the event that no modifications are made to the measurement of this index, PSE will continue to include the supplemental reports in the semi-annual and annual service quality reports, unless the parties have agreed to another arrangement.

- 15 In the course of discussions about SQI-11, the parties discovered a discrepancy regarding the filing date of semi-annual reports. Section C of the SQI Agreement provides that the filing date for the semi-annual report in Section E, paragraph 9, of the Stipulation should be “on or about July 30.” PSE seeks to clarify as part of this filing that the filing date for semi-annual reports should be on or about July 30th of each year.
- 16 Because the SQI-11 Agreement changes the SQI Settlement (Exhibit J to the Stipulation) that the Commission approved in the Twelfth Supplemental Order, PSE requests in its application that the Commission: (1) approve the Agreement Regarding SQI-11 Amendment that is attached to the Application as Exhibit A as a supplement to the Twelfth Supplemental Order; (2) order that revised pages 14-18 of Appendix 2 of Exhibit J and Attachments A and B attached to the Agreement Regarding SQI-11 Amendment be substituted for pages 14-17 of Appendix 2 of Exhibit J of the Stipulation approved in the Twelfth Supplemental Order; and (3) order that the resulting adjusted calculations are to be used for purposes of SQI reporting beginning January 1, 2003. PSE asserts that this reporting treatment is appropriate because the revised reporting methodology takes into account all days on which Major Events (including associated carryforward days) and Localized Emergency Events occur. PSE also requests that the filing date of the semi-annual reports be modified from July 15 to July 30, as discussed above.

C. Positions of the Parties.

- 17 **1. ICNU.** In its April 5, 2004, comments filed with the Commission, ICNU states that it does not oppose reasonable changes to PSE’s service quality standards, but objects to the changes proposed in PSE’s filing as a reduction in the Company’s obligation to promptly restore service to customers. ICNU requests that the Commission condition approval of the SQI-11 Agreement on the following requirements: (1) limiting the proposed supplemental reporting

period to two rather than three years; (2) adopting ICNU's definition of "localized emergency event"; and (3) permitting interested persons that did not sign the SQI-11 Agreement to propose changes to the SQI performance measurements at the end of the supplemental reporting period.

- 18 ICNU asserts that any changes to PSE's service quality standards "should be designed to ensure that the Company promptly provides and restores service at a reasonable cost to customers." *Comments of ICNU at 3.* ICNU argues that the SQI-11 Agreement will reduce the Company's service quality standards and may result in delayed service restoration. ICNU objects that the definition in the SQI-11 Agreement is too vague and allows the Company too much discretion in determining whether to exempt itself from its service quality standards. *Id. at 3-4.* ICNU proposes an alternative definition of "localized emergency event."
- 19 ICNU asserts that the SQI-11 Agreement inappropriately limits those who can propose changes to the service quality standards to only the Company and settling parties. ICNU requests that it and other parties that did not sign the SQI-11 Agreement should be allowed to propose changes or participate in a future process that establishes such standards.
- 20 ICNU also objects to the three-year period established in the SQI-11 Agreement for PSE to gather information and develop objective service quality standards. Asserting that PSE already has been subject to service quality standards for two years, ICNU argues that a two-year period should be sufficient to gather information on this issue.
- 21 **2. PSE.** PSE asserts that the SQI-11 Agreement was not intended to reduce the quality of service the Company provides to its customers but to address technical issues associated with SQI-11. *PSE Response at 1.* PSE asserts that the SQI-11 Agreement contains safeguards to prevent the Company from abusing its discretion to determine when a localized emergency event has occurred.

- 22 Specifically, the SQI-11 Agreement requires that “the localized emergency event definition that results in suspension of SQI-11 reporting can only be triggered by the dispatch and utilization of all available electric first responders in the affected Local Area.” *Id. at 2.* PSE must also “provide supplemental reporting to the Commission by affected Local Area, in both its annual and semi-annual service quality reports, of all days during the reporting period on which major event days and/or localized emergency event days occurred that resulted in suspension of SQI No. 11” and “provide a separate reporting for Local Areas unaffected by the Localized Emergency Event day.” *Id.*
- 23 PSE opposes ICNU’s proposed definition of “localized emergency event” asserting that “It is premature to develop such a definition, since one of the primary goals of the proposed change to the SQI-11 reporting requirement and supplemental reporting is to develop an objective criterion for defining localized emergency event days.” *Id.* PSE also objects to ICNU’s suggestion that the reporting period be reduced to two years rather than three, asserting that the parties will need information on a number of different types of events in different areas over time in order to develop an objective and appropriate criterion for defining “localized emergency events.” *Id at 3.*
- 24 The Company does not object to ICNU’s proposal that other parties be allowed to propose modifications to PSE’s service quality standards or participate in any future process to establish such standards.
- 25 **3. Commission Staff.** Like the Company, Commission Staff opposes ICNU’s proposed conditions and recommends that the Commission approve PSE’s Application as filed. Commission Staff asserts that the changes in the SQI-11 Agreement will not reduce the Company’s obligation to promptly restore service, and that ICNU’s proposed conditions will not contribute to maintaining or improving service quality.

- 26 Commission Staff notes that any outages associated with a localized emergency event will continue to be included in another performance benchmark, the System Average Interruption Duration Index (SAIDI). *Reply Comments of Commission Staff at 3.* Staff notes that the SAIDI benchmark time was lowered during the rate case in Consolidated Docket Nos. UE-011570 and UG-011571. Although Staff was concerned about the level of discretion given PSE under the proposed Amendment, Staff's concern was ameliorated by the fact that the Company remains subject to SAIDI and other service quality measures, the need to gather data, and the added requirement for supplemental reporting under the proposed agreement. *Id. at 4-5.*
- 27 Staff asserts that ICNU's definition of localized emergency event is not practical, as it requires the Company to dispatch all available first responders to one local area, without taking distance or travel time into consideration. Such action may also leave other areas in PSE's service territory subject to service outages of longer duration. *Id. at 4.*
- 28 Finally, Staff does not object to ICNU's request that non-parties to the SQI-11 Agreement be permitted to propose changes to the Electric Safety Response Time performance measures at the end of the supplemental reporting period. Staff asserts that ICNU's request does not require a condition for approval of the SQI-11 Agreement. As any changes to the performance measures will require Commission approval, any party would be allowed to participate in the approval process. *Id. at 5.*
- 29 **4. Public Counsel.** Public Counsel was concerned initially with the discretion given to PSE under the SQI-11 Agreement, but agrees with Staff's observations that PSE remains subject to the SAIDI performance measure concerning duration of outages, as well as to other service quality measures. Public Counsel supports Staff's and PSE's comments opposing ICNU's proposed definition and proposal for a supplemental reporting period of two rather than three years.

D. Discussion and Decision.

- 30 The Commission has authority to amend the Twelfth Supplemental Order as requested pursuant to RCW 80.04.210 and WAC 480-07-875. The Commission provided notice of PSE's application to all parties to consolidated Docket Nos. UE-011570 and UG-011571, including the parties who executed the SQI Settlement, and provided an opportunity for comment. The parties prefer that the Commission resolve this matter on the written materials submitted to the Commission, rather than through an adjudicative hearing or a hearing held during the Commission's regularly scheduled open meeting.
- 31 PSE's application seeks to modify settlement provisions agreed to and approved in consolidated Docket Nos. UE-011570 and UG-011571. The parties to the original Stipulation and SQI Settlement have executed a new agreement proposing to modify SQI-11, memorializing the outcome of a review of the reporting methodology applied to Electric Safety Response Time, based on the Company's experience during the October through December 2002 interim reporting period.
- 32 The ultimate determination to be made by the Commission in this proceeding is whether approving the SQI-11 Agreement is "lawful, the settlement terms are supported by an appropriate record, and [whether] the result is consistent with the public interest in light of all the information available to the commission." WAC 480-07-750(1).
- 33 Based on the record in this proceeding, we find the SQI-11 Agreement appropriately addresses the problem the PSE has identified with the original SQI-11 performance measure. Based upon the representations by the Company, Public Counsel and Staff that there are sufficient safeguards in place to protect against abuse of the discretion given the Company under the SQI-11 Agreement, that the need exists for additional information to develop an objective criterion

and a three-year period is necessary to gather such information, we are satisfied that the SQI-11 Agreement is consistent with the law and the public interest.

34 After reviewing the responses to ICNU's comments filed by the Company, Commission Staff, and Public Counsel, we reject ICNU's request that approval of the SQI-Agreement be conditioned upon a definition of "localized emergency event" and upon shortening the supplemental reporting period to two-years. ICNU's definition may hamper the ability of the Company to respond to outages in other local areas, and is therefore not practical. The Company and Staff provide a reasonable argument for why a supplemental reporting period of three-years rather than two is appropriate.

35 ICNU also requests that the Commission condition its approval of the SQI-11 Agreement, requiring PSE to allow interested parties that did not sign the SQI-11 Agreement to propose changes to the SQI performance measures at the end of the supplemental reporting period. This is a reasonable request, and the Company, Commission Staff, and Public Counsel do not oppose it. The parties must modify the SQI Agreement to provide that at the end of the supplemental reporting period, PSE shall provide an opportunity for all interested parties, including those who did not sign the SQI-11 Agreement, to propose changes to the SQI performance measurements and participate in any process that develops such measurements.

36 We grant PSE's application, approving and adopting the SQI-11 Agreement, as modified by this Order, as a supplement to the Twelfth Supplemental Order. Within 30 days of the effective date of this Order, the Company must file with the Commission substitute revised pages 14-18 of Appendix 2 of Exhibit J and Attachments A and B attached to the SQI-II Agreement, as modified by this Order, for pages 14-17 of Appendix 2 of Exhibit J of the Stipulation approved in the Twelfth Supplemental Order. The Company must use the adjusted calculations resulting from this substitution discussed above for purposes of SQI

reporting beginning January 1, 2003. PSE must also file semi-annual reports due under SQI-11 on or about July 30, rather than July 15, 2004.

III. FINDINGS OF FACT

- 37 Having discussed above in detail the documentary evidence received in this proceeding concerning all material matters, and having stated findings and conclusions upon issues at impasse among the parties and the reasons and bases for those findings and conclusions, the Commission now makes and enters the following summary of those facts. Those portions of the preceding detailed findings pertaining to the ultimate findings stated below are incorporated into the ultimate findings by reference.
- 38 (1) The Washington Utilities and Transportation Commission is an agency of the State of Washington, vested by statute with authority to regulate rates, rules, regulations, practices, and accounts of public service companies, including electric companies.
- 39 (2) Puget Sound Energy, Inc., is a “public service company” and an “electrical company” as those terms are defined in RCW 80.04.010, and as those terms otherwise may be used in Title 80 RCW. Puget Sound Energy, Inc., is engaged in Washington State in the business of supplying utility services and commodities to the public for compensation.
- 40 (3) On June 20, 2002, the Commission approved a multi-party settlement stipulation of disputed electric and common issues (Stipulation) in the Twelfth Supplemental Order entered in consolidated Docket Nos. UE-011570 and UG-011571. Exhibit J to the Stipulation addresses service quality index (SQI) reporting.

- 41 (4) On November 25, 2003, Puget Sound Energy, Inc. filed with the Commission in Docket No. UE-031946 an Application for Approval of Amendment to Service Quality Index Reporting Methodology: Electric Safety Response Time. Attached to PSE's application as Exhibit A is an Agreement Regarding Amendment to Service Quality Index Reporting Methodology; SQI-11: Electric Safety Response Time, (SQI-11 Agreement), executed by the parties to the Stipulation.
- 42 (5) On April 5, 2004, the Industrial Customers of Northwest Utilities (ICNU) filed comments on the SQI-11 Agreement, proposing that the Commission condition its approval of the SQI-11 Agreement upon certain requirements.
- 43 (6) On April 21, 2004, the Company, Commission Staff, and Public Counsel filed responses to ICNU's comments, opposing ICNU's proposed conditions.

IV. CONCLUSIONS OF LAW

- 44 (1) The Washington Utilities and Transportation Commission has jurisdiction over the subject matter of, and parties to, these proceedings. *Title 80 RCW.*
- 45 (2) The request of the Industrial Customers of Northwest Utilities to condition or modify the SQI-11 Agreement to allow non-parties to the agreement to propose modifications to service quality standards or participate in a future process is reasonable.
- 46 (3) Puget Sound Energy, Inc.'s Application for Approval of Amendment to Service Quality Index Reporting Methodology: Electric Safety Response Time filed on November 25, 2003, modified to allow non-parties to propose modifications to service quality standards or participate in a

future process, is reasonable and consistent with the law and the public interest.

- 47 (4) Pages 14-17 of Appendix A to Exhibit J of the Commission's Twelfth Supplemental Order in consolidated Docket Nos. UE-011570 and UG-011571 should be replaced and supplemented with revised pages 14-17 of Appendix A to Exhibit J, and Attachments A and B, attached to the SQI Agreement as Exhibit A, as modified by this Order, to the extent necessary to effectuate the provisions of this Order. *RCW 80.04.210; WAC 480-07-875.*

V. ORDER

THE COMMISSION ORDERS THAT

- 48 (1) Puget Sound Energy, Inc.'s November 25, 2003, Application for Approval of Amendment to Service Quality Index Reporting Methodology: Electric Safety Response Time is granted, with modification.
- 49 (2) The Agreement Regarding SQI-11 Amendment attached to Puget Sound Energy, Inc.'s Application as Exhibit A, as modified by this Order, is approved, and the Twelfth Supplemental Order in consolidated Docket Nos. UE-011570 and UG-011571 is amended by this Order.
- 50 (3) Within 30 days of the effective date of this Order, Puget Sound Energy, Inc. must substitute revised pages 14-18 of Appendix 2 of Exhibit J, as modified by this Order, and Attachments A and B attached to the Agreement Regarding SQI-11 Amendment for pages 14-17 of Appendix 2 of Exhibit J of the SQI Agreement that the Commission approved in the Twelfth Supplemental Order in consolidated Docket Nos. UE-011570 and UG-011571.

- 51 (4) Puget Sound Energy, Inc. must file semi annual service quality performance reports with the Commission on or about July 30th of each year.
- 52 (5) Puget Sound Energy, Inc. must use the adjusted calculation for SQI-11 approved by this Order in its SQI reporting effective January 1, 2003.
- 53 (6) The Commission retains jurisdiction over the subject matter and the parties to effectuate the provisions of this Order.

DATED at Olympia, Washington, and effective this 11th day of May, 2004.

WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION

MARILYN SHOWALTER, Chairwoman

RICHARD HEMSTAD, Commissioner

PATRICK J. OSHIE, Commissioner

NOTICE TO PARTIES: This is a final order of the Commission. 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 or RCW 81.04.200 and WAC 480-07-870.