

Exhibit No. \_\_\_ T (BTC-1T)  
Dockets UE-140188/UG-140189  
Witness: Bradley Cebulko

**BEFORE THE WASHINGTON UTILITIES AND TRANSPORTATION COMMISSION**

**WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION,**

**Complainant,**

**V.**

**AVISTA CORPORATION, DBA  
AVISTA UTILITIES,**

**Respondent.**

**DOCKETS UE-140188 and  
UG-140189  
(Consolidated)**

**TESTIMONY OF**

**BRADLEY T. CEBULKO**

**STAFF OF  
WASHINGTON UTILITIES AND  
TRANSPORTATION COMMISSION**

*Service Quality and Reliability*

**July 22, 2014**

**TABLE OF CONTENTS**

I. INTRODUCTION ..... 1

II. SCOPE AND SUMMARY OF TESTIMONY ..... 1

III. DISCUSSION..... 3

    A. Current Reports Related to the Provision of Service..... 3

    B. Staff’s Proposal for the Existing Reliability Report..... 5

    C. Staff’s Proposal for the Service Quality and Reliability Report (SQR) ..... 5

        1. General Description of the SQR..... 6

        2. Operations Services - Metrics and Penalty Thresholds ..... 9

        3. Customer Guarantees – Metrics and Bill Credit Thresholds ..... 12

        4. Penalties for Non-Compliance with Service Quality Metrics and Service Credits for Non-Compliance with Customer Guarantees. .... 15

**List of Exhibits**

- Exhibit No. \_\_\_\_ (BTC-2), IEEE and Regional Benchmarks  
Exhibit No. \_\_\_\_ (BTC-3), Service Quality and Reliability Report Card

1  
2  
3 **I. INTRODUCTION**

4 **Q. Please state your name and business address.**

5 A. My name is Bradley Thomas Cebulko. My business address is 1300 S. Evergreen  
6 Park Drive S.W., P.O. Box 47250, Olympia, WA 98504.

7 **Q. By whom are you employed and in what capacity?**

8 A. I am employed by the Washington Utilities and Transportation Commission  
9 (“Commission”) as a Regulatory Analyst in the Conservation and Energy Planning  
10 section of the Regulatory Services Division.

11  
12 **Q. How long have you been employed by the Commission?**

13 A. I have been working for the Commission since September 2013.

14  
15 **Q. Would you please state your educational and professional background?**

16 A. I have a Masters in Public Administration from the Daniel J. Evans School of Public  
17 Affairs at the University of Washington, with a focus on environmental policy, and a  
18 B.A. degree in political science from Colorado State University.

19  
20 **II. SCOPE AND SUMMARY OF TESTIMONY**

21  
22 **Q. What is the purpose of your testimony?**

1 A. The purpose of my testimony is to present Staff's recommendation that the  
2 Commission require Avista to implement a Service Quality and Reliability Report  
3 Card ("SQR").

4 The SQR will be filed as part of the existing electric reliability report the  
5 Company already files annually, as required by WAC 480-100-398.

6 Staff proposes an enforceable penalty mechanism for two of the existing  
7 electric metrics, and adds two additional safety metrics. Staff also proposes seven  
8 customer guarantees, with a bill credit to the customer if Avista does not meet a  
9 customer service standard.

10

11 Q. **Why is a SQR necessary?**

12 A. Avista is required to supply service that is safe, adequate and efficient.<sup>1</sup> As with any  
13 business, there are pressures on a company to keep costs down. When a utility  
14 aggressively manages its costs, both the utility and its customers can benefit.  
15 However, it is conceivable a utility might cut costs at the expense of the reliability  
16 and safety of its service. This would be contrary to the Commission's mission to  
17 ensure that utility services are fairly priced, available, reliable and safe.

18 The Commission recognized this need in its 2001 rulemaking in Docket UE-  
19 991168, intimating that after a reasonable amount of time collecting data, the  
20 Commission would be able to establish the necessary service quality standards. The  
21 Commission has already recognized the need to establish minimum service quality  
22 and reliability standards, and the addition of penalties for non-compliance will  
23 effectively protect customers by helping assure they continue to receive reliable and

---

<sup>1</sup> RCW 80.28.010(2).

1 safe service. This is the goal of the service quality standards, to be reported in the  
2 SQR.

### 3 4 III. DISCUSSION

#### 5 6 A. Current Reports Related to the Provision of Service

7  
8 **Q. Does the Commission require electric utilities to file annual reports about the**  
9 **provision of safe, adequate service?**

10 A. Yes. As required by WAC 480-100-393, Avista filed a plan describing its report on  
11 electric service reliability. The rule allowed Avista to propose annual reliability  
12 statistics and metrics it would report under WAC 480-100-398, and the baselines for  
13 those metrics. The Commission approved Avista's current metrics in Docket UE-  
14 110595.<sup>2</sup> The rules do not prescribe specific performance standards, nor do they  
15 establish a penalty if a utility fails to meet its own baselines and self-imposed targets.

16  
17 **Q. Does the Commission require gas utilities to file annual reports about the**  
18 **provision of safe, adequate service?**

19 Yes. Under the gas pipeline safety rules, the Commission requires each gas utility  
20 (among others) to file annually a copy of the report the utility files with the United  
21 States Department of Transportation, Department of Pipeline Safety, as well as a  
22 report on construction defects and on material failures that result in leaks.<sup>3</sup> Other

---

<sup>2</sup> See Dave Danner letter dated April 28, 2011, Docket UE-110595.

<sup>3</sup> WAC 480-93-200(10).

1 parts of the pipeline safety rules require the utility to provide plans for responding to  
2 leaks and maintaining valves, which include response times. Therefore, for Avista's  
3 gas operations, I only address the field technician response time for customer  
4 reported natural gas emergencies for gas utilities.  
5

6 **Q. What does Avista include in its current electric reliability report?**

7 A. The report describes the Company's reliability performance, using distribution  
8 reliability metrics identified by the Institute of Electrical and Electronics Engineers  
9 (IEEE). Avista also includes a discussion of the Company's distribution reliability  
10 concerns.  
11

12 **Q. Which explicit electric metrics does Avista include in its annual reliability  
13 report?**

14 A. Avista includes the "Daily System Average Interruption Duration Index" (IEEE  
15 SAIDI) and the "Daily System Average Interruption Frequency Index" (IEEE  
16 SAIFI). It also reports two other IEEE reliability metrics, "Momentary Average  
17 Interruption Frequency Index" (MAIFI) and "Customer Average Interruption  
18 Duration Index" (CAIDI). I explain IEEE SAIDI and SAIFI later in my testimony.  
19

20 **Q. Are these metrics used by other electric utilities the Commission regulates?**

21 A. Yes. The electric reliability reports filed by Puget Sound Energy (PSE) and Pacific  
22 Power & Light Company (PacifiCorp) include many of the same metrics, all of  
23 which are from the IEEE.

1           **B.       Staff's Proposal for the Existing Reliability Report**

2  
3   **Q.       What does Staff propose regarding Avista's existing electric reliability report?**

4   A.       Staff proposes no change to the current electric reliability reports. The electric  
5           metrics Avista currently uses are part of Staff's proposal because they are  
6           appropriate and because the information helps Staff determine whether a service  
7           quality issue is present.

8  
9           **C.       Staff's Proposal for the Service Quality and Reliability Report Card**  
10           **(SQR)**

11  
12   **Q.       What is the SQR?**

13   A.       The Service Quality and Reliability Report Card ("SQR") proposed by Staff contains  
14           specific safety and reliability metrics that are enforceable either through a penalty or  
15           a tariffed bill credit. The SQR is comprised of four Operation Services metrics and  
16           seven Customer Guarantees. Three of the Operation Services metrics apply only to  
17           Avista's electric service, and the last Operation Services metric applies to gas  
18           service. The Customer Guarantees apply to both Avista's natural gas and electric  
19           services.

20  
21   **Q.       What is the difference between the reliability reports the Company currently**  
22           **files, and the SQR Staff proposes?**

23   A.       The SQR establishes safety and reliability standards and enforces them through a  
24           penalty mechanism. The current report is composed of company-chosen benchmarks

1 that lack enforceability. The SQR also establishes Customer Guarantees, with a bill  
2 credit available if the Company does not meet a customer service standard.<sup>4</sup>

3  
4 **Q. Have you prepared an exhibit that details each of the standards and penalties  
5 Staff proposes for the SQR?**

6 A. Yes. My Exhibit No. \_\_\_ (BTC-3) contains all of these details.

7  
8 **1. General Description of the SQR**

9  
10 **Q. Please generally describe Staff's proposed SQR.**

11 A. Staff proposes that the Commission order Avista to file a SQR that sets forth specific  
12 performance standards, contains penalties for non-compliance and a Company  
13 discussion of trends and anomalies identified in each SQR. The SQR would contain  
14 standards and penalties in two areas: 1) Operation Services; and 2) Customer  
15 Guarantees.

16  
17 **Q. Please generally describe the Operation Services section of the SQR.**

18 A. As shown in my Exhibit No. \_\_\_ (BTC-3), the Operation Services section has four  
19 metrics; OS1 through OS4. OS1 and OS2 are distribution reliability metrics from  
20 the IEEE. OS3 and OS4 are the average response time for field technicians to arrive  
21 at the location of electric and natural gas emergencies or concerns.

22  

---

<sup>4</sup> Avista has entitled its current reliability report "Service Quality and Reliability." However, in Staff's estimation, Avista's report lacks the customer guarantees that would expand the content of the report to fit the title.

1 **Q. Please generally describe the Customer Guarantees section of the SQR.**

2 A. The Customer Guarantees section establishes seven Company commitments to the  
3 customer, CG1 through CG7, such as keeping appointments and notifying customers  
4 of planned service interruptions.

5  
6 **Q. Please generally describe the penalties for non-compliance.**

7 A. The requirements of Operations Services section of the SQR are enforceable under  
8 the Commission's penalty statutes applicable to utility companies such as Avista:  
9 RCW 80.04.380 and RCW 80.04.405. Each metric has a pre-determined benchmark  
10 the Company must meet. If the Company performs worse than that benchmark,  
11 Avista would not be providing safe or reliable service and would be subject to the  
12 statutory penalties.<sup>5</sup>

13 For each Customer Guarantee the Company does not fulfill, Avista must  
14 provide the affected customer a \$50 bill credit on the customer's next bill.

15  
16 **Q. Is Staff's proposal similar to the service quality and reliability programs of PSE  
17 and PacifiCorp?**

18 A. Yes. PSE provides an annual service quality report, which the Commission required  
19 as a condition of approving the merger of the Washington Natural Gas Company and  
20 Puget Sound Power & Light Company in 1997.<sup>6</sup> The Commission required the PSE  
21 program to "provide a specific mechanism to assure customers that they will not

---

<sup>5</sup> Commission may order improved quality, improved service, after hearing. RCW 80.28.030, 80.28.040.

<sup>6</sup> *Application of Puget Sound Power & Light Co. and Wash. Natural Gas Co.*, Dockets UE-951270 & UG-960195, Fourteenth Supplemental Order Accepting Stipulation; Approving Merger (February 5, 1997).

1 experience deterioration in quality of service” and to “protect customers of PSE from  
2 poorly-targeted cost cutting.”<sup>7</sup>

3 PSE reports nine measurements in three categories encompassing customer  
4 satisfaction, customer services and operation services, in a report card to its  
5 customers and the Commission. PSE also has two customer guarantees, service  
6 appointment and restoration of service guarantees, and provides a \$50 bill credit to  
7 affected customer(s). The Commission’s order approving the settlement established  
8 a benchmark for each measure, and a penalty that varies depending on the  
9 company’s deviation beyond the benchmark. The mechanism also stipulates a  
10 maximum penalty for each measure and a cap on a total penalty each year.

11 The operation service metrics Staff proposes for Avista are the same as the  
12 PSE metrics, and the benchmarks are closely aligned.

13 PacifiCorp submits an annual service quality review, which the Commission  
14 first required in Docket UE-981627. The review was extended to 2011 by the  
15 Commission during the MidAmerican acquisition of PacifiCorp in Docket UE-  
16 051090. The penalty portion of the program has now lapsed, although PacifiCorp  
17 has voluntarily continued the service quality part of the program.

18 PacifiCorp’s service quality review has two main components; customer  
19 service guarantees and reliability performance standards. The customer service  
20 guarantees are implemented through a bill credit, as stated in PacifiCorp’s Tariff WN  
21 U-75, Sheet No. R25.1.

22 Staff’s proposed customer guarantees for Avista are the same as those for  
23 PacifiCorp and PSE, and the \$50 customer bill credit also is the same.

---

<sup>7</sup> *Id.* at 32, ¶ 3, lines 3-6.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20

**2. Operations Services - Metrics and Penalty Thresholds**

**Q. Please describe in more detail each of the Operation Services metrics.**

A. As shown in detail on my Exhibit No. \_\_\_ (BTC-3), the Operations Services metrics OS1 and OS2 are the IEEE distribution reliability metrics called “Daily System Average Interruption Duration Index” (IEEE SAIDI) and “Daily System Average Interruption Frequency Index” (IEEE SAIFI), respectively. The IEEE method is also known as the 2.5 Beta Method. These metrics only apply to the electric system.

SAIDI indicates the total duration of interruptions for the average customer during a predefined period of time. SAIFI measures how often the average customer experiences a sustained interruption over a predefined period of time.<sup>8</sup> The IEEE SAIDI and SAIFI metrics are used to better reveal trends in daily operation that would otherwise be overwhelmed by the large statistical effect of major events.<sup>9</sup>

These two metrics help the Commission determine if the Company is providing reliable service to its customers. OS1 and OS2 require Avista to be in the top half of each metric compared to the national average reported annually by the IEEE.<sup>10</sup> If the Company falls below the national median, it would not be providing reliable service, and Avista would be subject to a monetary penalty after hearing.

---

<sup>8</sup> “IEEE Guide for Electric Power Distribution Reliability Indices, 31 May 2012,” IEEE Standard 1366<sup>TM</sup> – 2012, IEEE Power & Energy Society at 5.

<sup>9</sup> *Id.* at 10.

<sup>10</sup> Each year, the IEEE releases the results of the IEEE National Benchmarking at the General Meeting of the Distribution Reliability Working Group. The IEEE median data for SAIDI and SAIFI is shown in Cebulko, Exhibit No. \_\_\_ (BTC-2), pages 1 and 3, respectively.

1 **Q. Why does Staff propose these IEEE distribution reliability metrics?**

2 A. The IEEE is the nationally recognized body for distribution reliability metrics. All  
3 three Washington investor-owned electric utilities currently report to the  
4 Commission IEEE metrics in their service reliability reports.

5 In particular, the IEEE SAIDI and SAIFI metrics are preferable because they  
6 gather the normal, day-to-day duration and frequency of customer outages without  
7 the “noise” of a major outage event. Excluding major outages effectively removes  
8 from the data the impact of major storms or unique circumstances.<sup>11</sup> Avista should  
9 be held responsible for the outages and events it can control, which the IEEE Daily  
10 System metrics measure.

11

12 **Q. Why does Staff recommend setting IEEE reliability metrics thresholds based on**  
13 **national comparisons?**

14 A. In order to get a sense of what is actually reliable service, it is useful to compare the  
15 utility to its peers. It would be too subjective to pinpoint a specific number for each  
16 measure as a benchmark. My Exhibit No. \_\_\_ (BTC-2) compares the median IEEE  
17 SAIDI and IEEE SAIFI, on pages one and three, respectively, with the last ten years  
18 of utility performance. Avista has been achieving around the national median of the  
19 scored utilities; sometimes better, but oftentimes worse.<sup>12</sup> The graphs in my exhibit  
20 also show that Avista consistently has less reliable service, judged by these metrics,  
21 than its in-state peers, PacifiCorp and PSE.

---

<sup>11</sup> A detailed explanation on the metrics is found in the IEEE Guide for Electric Power Distribution Reliability Indices, at 10.

<sup>12</sup> See Cebulko, Exhibit No. \_\_\_ (BTC-2).

1           Graphs entitled “SAIDI 5-yr” and “SAIFI 5-yr” on pages two and four of my  
2 exhibit, respectively, remove the regional utilities so it is easier to compare Avista’s  
3 trends with the IEEE benchmarks over the last five years. As is clearly indicated,  
4 Avista has incrementally improved its performance since 2009.

5           Graphs entitled “SAIDI 10-yr” and “SAIFI 10-yr” on pages two and four of  
6 my exhibit, respectively, also remove the regional utilities but shows the trends over  
7 the last ten years. Since 2004 the IEEE national benchmarks trends for both metrics  
8 have been slowly improving. Although the Company’s performance has improved  
9 significantly since 2009 - the only time it fell into the bottom quartile of both metrics  
10 – it has not improved its reliability from its scores in 2004 and 2005.

11           The 2013 IEEE national benchmarks include 106 small, medium and large  
12 utilities, 50 of which are classified as rural. A reasonable proxy of reliable service is  
13 for Avista to perform at or better than its national peers, especially considering  
14 Avista’s rural service territory. Accordingly, the penalty threshold should be set at  
15 the IEEE national benchmarking median.

16  
17 **Q. Please explain the other metrics under Operation Services.**

18 A. Metrics OS3 and OS4 measure the average time it takes for an Avista field  
19 technician to respond to a customer call in an electric or natural gas emergency.  
20 These metrics are designed to ensure that the Company responds to safety issues in a  
21 prompt manner. For an electric outage reported by a customer, the metrics require  
22 Avista to respond within 65 minutes. This is 10 minutes longer than the response  
23 time required by the Commission for Puget Sound Energy, and takes into account

1 Avista's more rural service territory. Avista currently averages 85 minutes, up from  
2 66 minutes in 2011.<sup>13</sup> The Company's three-year average is approximately 77  
3 minutes. For comparison, Puget Sound Energy averaged 53 minutes in 2013.<sup>14</sup>

4 For natural gas emergencies, the Company's response threshold is 55  
5 minutes, which is the same as Puget Sound Energy's target. The Company has  
6 consistently outperformed this threshold, with an average response time of 47  
7 minutes in 2013.<sup>15</sup> This is approximately its three-year average.

### 8 9 3. Customer Guarantees – Metrics and Bill Credit Thresholds

#### 10 11 Q. What is a "Customer Guarantee?"

12 A. In essence, a Customer Guarantee, or CG, requires that the Company keep its  
13 agreed-upon appointment with the customer. Together, these CGs reflect reasonable  
14 customer expectations of service that are implicit in a competitive marketplace.  
15 Customers cannot choose their electric utility provider, so these guarantees are  
16 assurances of a reasonable level of quality of service. As I explained earlier, the CGs  
17 apply to both Avista's natural gas and electric services.

18  

---

<sup>13</sup> Avista Response to Staff Data Request 135.

<sup>14</sup> *Utilities & Transp. Comm'n v. Puget Sound Energy, Inc.* Dockets UE-072300 & UG-072301 (consolidated):  
Puget Sound Energy 2013 Service Quality Report Card.

<sup>15</sup> Avista Response to Staff Data Request 134.

1 **Q. How do Staff's proposed Customer Guarantees compare to PacifiCorp's?**

2 A. Staff's proposed Customer Guarantees for Avista are nearly identical to the  
3 guarantees PacifiCorp agreed to, and which the Commission approved, in the  
4 settlement of Dockets UE-042131 and UE-051090 in Order 07.<sup>16</sup>

5  
6 **Q. How do these Customer Guarantees compare to the service Avista is currently  
7 providing?**

8 A. Currently, although Avista does not provide the Customer Guarantees, the Company  
9 has internal targets for many of the proposed guarantees, which Staff considered  
10 when developing reasonable service goals.

11  
12 **Q. Please describe the seven Customer Guarantees.**

13 A. CG1 requires Avista to adhere to an appointment time within a "window" no greater  
14 than two hours. This is a reasonable expectation that minimizes the inconvenience to  
15 the customer, and it allows the customer to plan his or her day accordingly.  
16 Currently, Avista does not set an appointment time but generally makes an effort to  
17 call 30 minutes before arriving at the service location.<sup>17</sup>

18 CG2 requires the Company to restore supply after an outage within 8 hours of  
19 notification from the customer. Commission rules require utilities to reestablish  
20 electric and gas service with minimum, or the shortest, delay possible.<sup>18</sup> Eight hours

---

<sup>16</sup> *Joint Application of Mid American Energy holdings Co. and pacifiCorp, d/b/a Pacific Power & Light Co., Docket UE-051090, Order 07, Final Order Approving and Adopting Settlement Stipulation; Requiring Subsequent Filing (February 22, 2006).*

<sup>17</sup> Avista Response to Staff Data Request 138.

<sup>18</sup> WAC 480-100-148(2)(b) and WAC 480-100-148(2)(d).

1 is a reasonable measurement of good service. The Company averaged less than 3  
2 hours in 2013.<sup>19</sup>

3 CG3 requires the Company to switch on power within one business day of  
4 the customer or applicant's request for service, provided no construction is required,  
5 all government inspections are met, and required payments are made. Commission  
6 rules require electric and gas utilities to reestablish electric and gas service with  
7 minimum, or the shortest, delay possible.<sup>20</sup> The Company averaged less than 3 hours  
8 in 2013.<sup>21</sup>

9 CG4 requires the Company to provide a cost estimate for new supply to the  
10 applicant within 10 business days after all necessary information is provided by the  
11 customer. Commission rules require electric and gas utilities to provide a date by  
12 which service will be made available upon request by a customer.<sup>22</sup> Ten business  
13 days is a reasonable measurement of good service. The Company does not currently  
14 track the amount of time it takes to respond to a customer's application but has a  
15 goal of within 10 days.<sup>23</sup>

16 CG5 requires the Company to respond to most billing inquiries at the time of  
17 the initial contact. For those that require further investigation, the Company will  
18 investigate and respond to the customer within 5 business days. Commission rules  
19 require electric and gas utilities to promptly investigate complaints.<sup>24</sup> In 2013, the

---

<sup>19</sup> Avista Response to Staff Data Request 139.

<sup>20</sup> WAC 480-90-148(2)(b) and WAC 480-100-148(2)(d)

<sup>21</sup> Avista Response to Staff Data Request 139.

<sup>22</sup> WAC 480-90-108(4)(b) and WAC 480-100-108(4)(b)

<sup>23</sup> Avista Response to Staff Data Request 140.

<sup>24</sup> WAC 480-90-173(1)(b) and WAC 480-100-173(1)(b)

1 Company took about 4.5 days and 2.5 days to respond to electric and gas inquiries,  
2 respectively.<sup>25</sup> Five days is a reasonable measurement of good service.

3 CG6 requires the Company to investigate and respond to reported problems  
4 with a meter or conduct a meter test and report results to the customer within 20  
5 business days. Commission rules require electric and gas utilities to test and report  
6 to the customer the accuracy of a meter within 20 business days of a customer  
7 request.<sup>26</sup> In 2013, the Company averaged 6 and 8.5 days to respond to electric and  
8 gas meter problems, respectively.<sup>27</sup> In addition to the customer bill credit, the  
9 Company will be subject to a potential fine for violating Commission rules.

10 CG7 requires the Company to notify the customer at least 24 hours before  
11 turning off power for planned interruptions, as required by Commission rules.<sup>28</sup> In  
12 addition to giving the customer a bill credit, the Company will be subject to a  
13 potential fine for violating Commission rules.

14  
15 **4. Penalties for Non-Compliance with Service Quality Metrics and**  
16 **Service Credits for Non-Compliance with Customer Guarantees.**  
17

18 **Q. What does Staff propose if Avista fails to meet an Operations Service metric?**

19 A: For failure to meet an Operation Services metrics, Staff proposes that Avista be  
20 subject to the statutory penalties in RCW 80.04.380 and/or RCW 80.04.405. Under  
21 RCW 80.04.380, if the utility does not comply with an “order, rule, direction or

---

<sup>25</sup> Avista Response to Staff Data Request 141 Revised.

<sup>26</sup> WAC 480-90-183(1) and WAC 480-100-183(1)

<sup>27</sup> Avista Response to Staff Data Request 142.

<sup>28</sup> WAC 480-90-148(3) and WAC 480-100-148(2)(d).

1 requirement made by the commission,” it is subject to a penalty of no more than one  
2 thousand dollars for each and every offense.<sup>29</sup>

3 Thus, if Avista did not satisfy a specific Commission-mandated quality of  
4 service metric, the Company would not be complying with a requirement or order of  
5 the Commission, and would be subject to a monetary penalty. In addition, RCW  
6 80.04.380 says that “in the case of a continuing violation every days’ continuance  
7 thereof shall be and deemed to be a separate and distinct offense.”

8 Alternatively, the Commission could issue a penalty under RCW 80.04.405.  
9 Under that section, any violation of an order, rule, regulation or decision of the  
10 Commission by a public service company, “shall incur a penalty of up to one  
11 hundred dollars for every such violation.” The statute continues, “Each and every  
12 such violation shall be a separate and distinct offense and in case of a continuing  
13 violation every day’s continuance shall be and be deemed to be a separate and  
14 distinct violation.”

15  
16 **Q. What is the consequence if Avista fails to meet a Customer Guarantee?**

17 A. For each Customer Guarantee standard Avista does not meet, Staff proposes that  
18 Avista credit the customer \$50, through a bill credit tariff similar to Tariff 25 for  
19 PacifiCorp.

20  
21 **Q. How would each violation of an OS metric be measured?**

22 A. For OS1, each infraction would be measured by the variance of the evaluated  
23 “company minute” from the “IEEE median score.” For example, in 2012, the IEEE

---

<sup>29</sup> RCW 80.04.380.

1 SAIDI national median was 126 minutes and Avista averaged 138 minutes. The  
2 Company would have been in violation of this metric each day of 2012, and would  
3 have been subject to a penalty for each infraction, which is the difference in minutes  
4 between the two scores multiplied by the number of days in that year. In 2012, the  
5 Company would have been subject to 12 daily infractions.

6 For OS2, the infraction would be measured as the number of sustained  
7 interruptions experienced by a customer beyond the national median. For example,  
8 in 2012 the national median was 1.08 interruptions per customer per year, and Avista  
9 recorded 1.14. The Company would have been in violation of this metric each day  
10 of 2012 and would have been subject to a penalty for each infraction, which is the  
11 hundredth of percent that the customer deviates from the benchmark multiplied by  
12 the number of days in that year. In 2012, the Company would have subject to 6 daily  
13 infractions.

14 For OS3 and OS4, each infraction would be measured by the variance in  
15 Company minutes from the benchmark for each day. For example, the OS3  
16 threshold states the Company must respond to an electric emergency within 65  
17 minutes, on average, each year. If the Company averages 80 minutes in a year, that  
18 would constitute 15 daily infractions.

19 If the company were to be fined \$1,000 per day for each of these infractions,  
20 because these infractions continued through the year, the total penalty amount would  
21 be very significant; millions of dollars. That is not an appropriate proportional  
22 penalty. In those circumstances, Staff typically would recommend the Commission  
23 hold the Company liable for up to \$100 for each infraction. At this level, and using

1 the Company's 2012 OS3 performance above, the Company would incur 15 daily  
2 violations, multiplied by the number of days in 2012, for a total fine of up to  
3 \$549,000.<sup>30</sup> A penalty issued per RCW 80.04.405 would allow the Company an  
4 opportunity to seek mitigation of the amount.  
5

6 **Q. When would the penalty mechanism be enforced?**

7 A. Considering that the Company has not consistently achieved the proposed thresholds,  
8 it is reasonable to give the Company time to come into compliance. Staff proposes  
9 that the penalty mechanism not become effective until one year after the  
10 Commission adopts the SQR.  
11

12 **Q. How would each violation of a CG be measured?**

13 A. If the Company violates a guarantee, and if there are no reasonable exceptions from  
14 the guarantee as detailed in Exhibit No. \_\_\_\_ (BTC-3), the Company must credit \$50  
15 to the customer on his or her next bill.<sup>31</sup>  
16

17 **Q. Would Avista be subject to a penalty if it did not satisfy a metric due to a major  
18 storm?**

19 A. No. The applicable metrics (IEEE SAIDI and SAIFI) exclude major storms and  
20 therefore do not influence OS1 and OS2. Moreover, the Commission retains  
21 discretion to mitigate penalties if it believes that the circumstances were beyond the  
22 control of the utility, as it has done for Puget Sound Energy.

---

<sup>30</sup> 15 infractions\*\$100\*366 = \$549,000.

<sup>31</sup> Exceptions are listed in Cebulko, Exhibit No. \_\_\_\_ (BTC-3).

1

2 **Q. If Avista incurs a penalty or provides a bill credit under Staff's proposed**  
3 **Program, would the Company be able to recover those dollars from ratepayers?**

4 A. No. Avista's shareholders would be solely responsible for all penalties and bill  
5 credits under Staff's proposed SQR. The Commission should prohibit the Company  
6 from recovering these amounts from other customers.

7

8 **Q. Does this conclude your testimony?**

9 A. Yes.