

ORDER NO. 02-871

ENTERED DEC 13 2002

This is an electronic copy. Format and font may vary from the official version. Attachments may not appear.

BEFORE THE PUBLIC UTILITY COMMISSION

OF OREGON

UM 1004

In the Matter of Setting PORTLAND)
GENERAL ELECTRIC COMPANY's Service) ORDER
Quality Measure (SQM) Lines for 2003.)

**DISPOSITION: 2003 SERVICE QUALITY MEASURES GOAL AND
REVENUE REQUIREMENT REDUCTION (PENALTY) LINES SET**

At its public meeting on December 3, 2002, the Commission adopted Portland General Electric Company (PGE) and Staff's joint recommendation to set goal lines and penalty lines for 2003. Staff's recommendation report is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED that the 2003 Service Quality Measures goal and penalty lines for Portland General Electric Company are set, as described in Appendix A.

Made, entered and effective _____.

BY THE COMMISSION:

Becky L. Beier
Commission Secretary

A party may request rehearing or reconsideration of this order pursuant to ORS 756.561. A party may appeal this order to a court pursuant to ORS 756.580.

ITEM NO. 2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 3, 2002**

REGULAR X **CONSENT** **EFFECTIVE DATE** January 1, 2003

DATE: November 5, 2002

TO: John Savage, through Jerry Murray, Vicki McLean, and Lee Sparling

FROM: Bob Sipler and Clark Jackson

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1004) Joint recommendation for the Commission to set Portland General Electric's (PGE) Service Quality Measures (SQMs) performance lines for 2003, as required in UM 814 by OPUC Order 97-196.

STAFF RECOMMENDATION:

Staff and PGE jointly recommend that the Commission set the Service Quality Measures performance levels for 2003 at the same levels that have been set since 1997 (see "discussion" for the phase-in of the R-3 Measure). Specific measures and the three levels recommended for each are:

1. For C-1: the goal is .07 at-fault/1000
the Penalty 1 line is .10 at-fault/1000
the Penalty 2 line is .13 at-fault/1000
2. For R-1: the goal is 1.33 hours
the Penalty 1 line is 1.5 hours
the Penalty 2 line is 1.7 hours
3. For R-2: the goal is 1.0 occurrences
the Penalty 1 line is 1.2 occurrences
the Penalty 2 line is 1.4 occurrences
4. For R-3: the goal is 3 momentaries
the Penalty 1 line is 5 momentaries
the Penalty 2 line is 7 momentaries

APPENDIX A
PAGE 1 of 6

DISCUSSION:

The SQMs had their origins as tools related to safety and reliability monitoring by Staff. These tools were then modified to include a way to evaluate the effects of PGE's decoupling program. Then, during the PGE/Enron merger (UM 814), another modification was developed "...to provide a mechanism to ensure service quality is maintained at current levels or improved subsequent..." to the merger approval. Safety and Reliability Staff believes that the SQMs have proven to be an excellent regulatory tool since their adoption in 1997.

There are eight separate measures included in PGE's SQMs. Of these, four measures (C-1, R-1, R-2, & R-3) have three performance lines each (a goal and two penalty lines) set by the Commission on an annual basis. In addition, a fifth measure (S-1) has pre-set performance penalties in any cases where the Commission declares that a "Major Safety Violation" has occurred. The remaining three measures, (X-1, X-2, and X-3) are program-monitoring tools for various maintenance programs performed by PGE on an ongoing basis. For these we monitor items such as annual accomplishments, budgets and expenditures, and staffing levels. Basic programs include vegetation management (tree trimming), inspection and repair programs for overhead and underground lines, electric supply stations, and marinas, major equipment maintenance, standards, and the metering program.

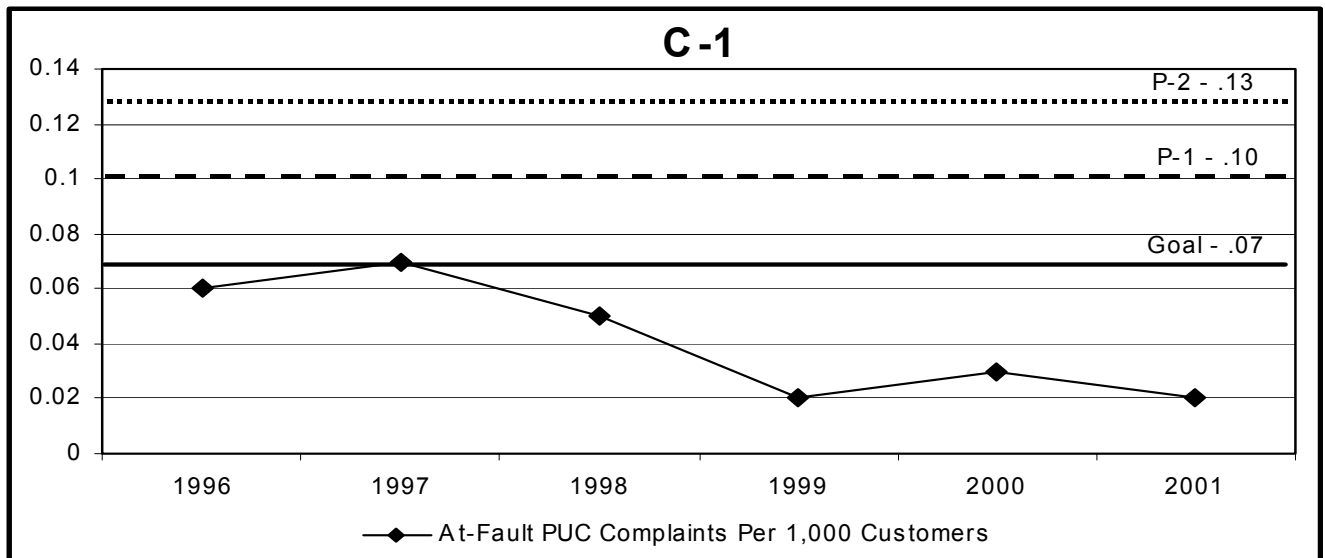
The details of these requirements are found in Commission Staff's "Proposed Stipulations For Service Quality Measures", referred to in a stipulation adopted by the Commission in Docket UM 814 (see Appendix A of Order 97-196, page 3 of 17). The stipulation gives the Commission the ability to impose penalties reflecting lesser service quality than the company agreed to provide. These penalties are distinct from those imposed under ORS 756.990. The SQM stipulation also lists reporting requirements and a timeline which includes this submission to the Commission so a determination can be made for the performance levels for the coming year.

The Commission has a great deal of discretion as to how penalties will be paid should penalty lines be exceeded. The penalties would be revenue requirement reductions and could be returned to customers through rate reductions. The Commission could also direct the funds towards specific utility projects that would benefit customers, or otherwise determine an appropriate use. The Commission can also recognize circumstances beyond the company's control and cap or adjust the amount. An additional provision of the SQM stipulation allows refunds with interest when certain programs have not been funded at historical levels and associated performance has not met the lines set by the Commission. The concept here is that customers have paid for services that they have not received and therefore should be reimbursed.

The first measure for which the Commission needs to set performance lines is C-1, or customer at-fault complaint frequency. This is expressed as the number of PUC customer complaints where PGE has been determined to be at-fault, having violated a tariff, rule or business practice standard, per 1000 customers, on an annual basis. For the seventh year, it is recommended that these lines be:

- Goal - less than .07
- First penalty line (\$100,000) - .10
- Second penalty line (\$1,000,000) - .13

Actual PGE performance is provided in the following graph:

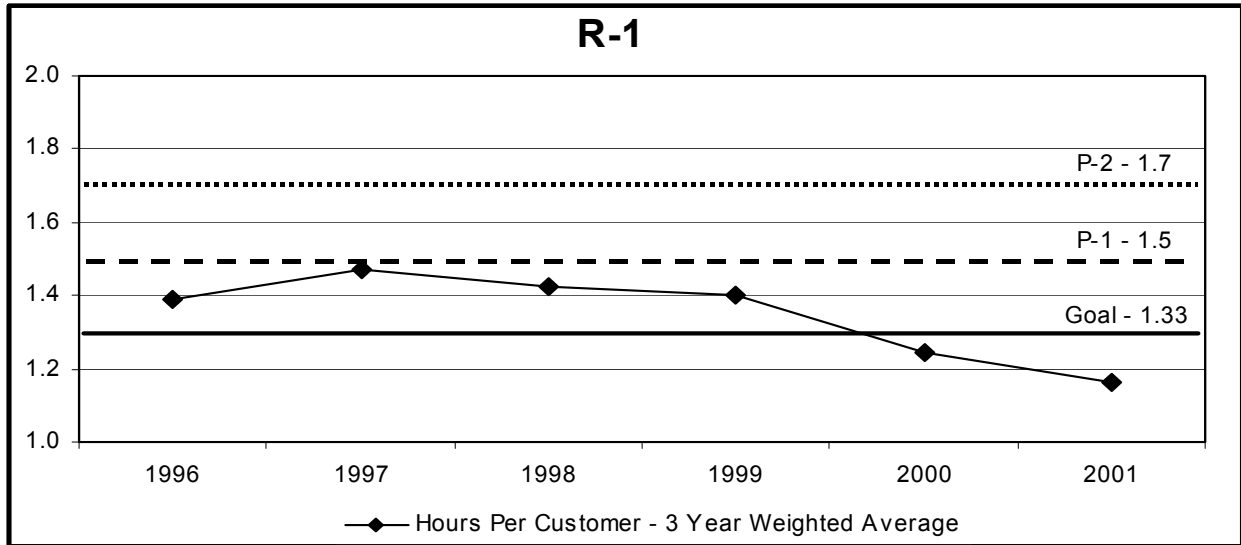


The next three measures relate to service reliability.

The R-1 measure is an averaged customer interruption duration (annual time without power) that utilizes a three-year weighted averaging formula. This is similar to System Average Interruption Duration Index (SAIDI), calculated with the target year weighted at 50%, the previous year weighted at 30%, and the next previous year weighted at 20%. Certain "major events" can be excluded from these statistics when specific requirements have been met (based on OAR 860-023-0080 through 0160). The performance lines recommended for Commission adoption for 2003 are:

- Goal - 1.33 hours
- Penalty 1 line (\$100,000) - 1.5 hours
- Penalty 2 line (\$1,000,000) - 1.7 hours

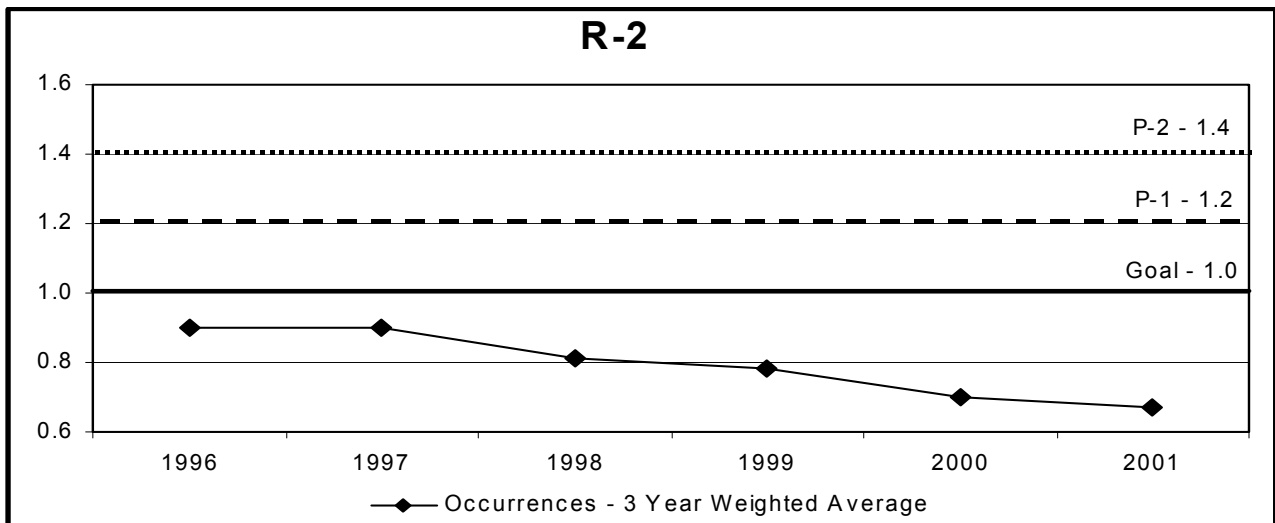
Actual PGE performance for this measure is provided in the following graph:



The R-2 measure is an averaged customer interruption frequency (annual number of times service is interrupted for five minutes or more) that, like R-1, utilizes a weighted three-year formula. This is a three year weighted System Average Interruption Frequency Index (SAIFI), in essence. The performance lines recommended for Commission adoption for R-2 for 2003 are:

- Goal - 1.0 occurrences
- Penalty 1 line (\$100,000) - 1.2 occurrences
- Penalty 2 line (\$1,000,000) - 1.4 occurrences

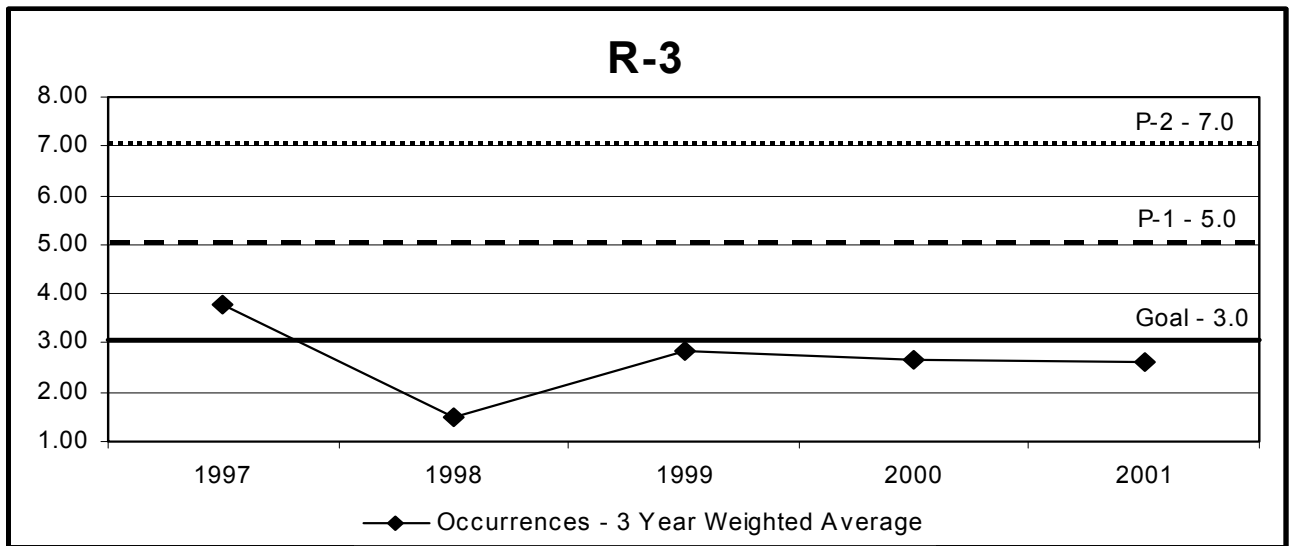
Actual PGE performance for R-2 is provided in the following graph:



The R-3 (averaged customer momentary interruption event frequency) measure has been phased in over the last few years. A trial run was performed for 1999, and the measure's first fully implemented year was 2000. Momentary outages are primarily the quick blinks that occur on an electrical system when automatic switches perform their protective function in response to a fault on the line. Consistent with the performance lines set for 2000 through 2002, staff and PGE recommend R-3 lines be set at:

- Goal - 3
- Penalty 1 line (\$100,000) - 5
- Penalty 2 line (\$1,000,000) - 7

PGE historical performance for R-3 (some estimated and some actual) is reflected in the following graph:



PROPOSED COMMISSION MOTION:

The Service Quality Measures performance lines for Portland General Electric for the year 2003 be set as follows:

1. For C-1: the goal is .07 at-fault/1000
 the Penalty 1 line is .10 at-fault/1000
 the Penalty 2 line is .13 at-fault/1000

2. For R-1: the goal is 1.33 hours
the Penalty 1 line is 1.5 hours
the Penalty 2 line is 1.7 hours
3. For R-2: the goal is 1.0 occurrences
the Penalty 1 line is 1.2 occurrences
the Penalty 2 line is 1.4 occurrences
4. For R-3: the goal is 3 momentaries
the Penalty 1 line is 5 momentaries
the Penalty 2 line is 7 momentaries

APPENDIX A
PAGE 6 OF 6