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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 2005.)	

DISPOSITION: 2005 SERVICE QUALITY MEASURES GOAL AND REVENUE REQUIREMENT REDUCTION (PENALTY) LINES SET

At its public meeting on December 7, 2004, the Commission adopted Portland General Electric Company and Staff's joint recommendation to set goal lines and penalty lines for 2005. Staff's recommendation report is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED that the 2005 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 request for rehearing or reconsideration must be filed with the Commission within 60 days of the date of service of this order. The request must comply with the requirements in OAR 860-014-0095. A copy of any such request must also be served on each party to the proceeding as provided by OAR 860-013-0070(2). A party may appeal this order to a court pursuant to applicable law.

ITEM NO. 2

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 7, 2004**

REGULAR X CONSENT EFFECTIVE DATE January 1, 2005

DATE: November 17, 2004

TO: Lee Sparling, through JR Gonzalez and Ed Busch

FROM: Bob Sipler and Jerry Murray

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 2005, 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 2005 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

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DISCUSSION:

The SQMs had their origins as measurement tools related to safety programs and reliability monitoring by Safety 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. In the present UM 1121 case, SQMs, with some modification, have been accepted by Oregon Electric Utility Company for a full 10-year extension as a stipulated agreement.

There are eight separate measures included in PGE's UM 814 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, 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 could 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,

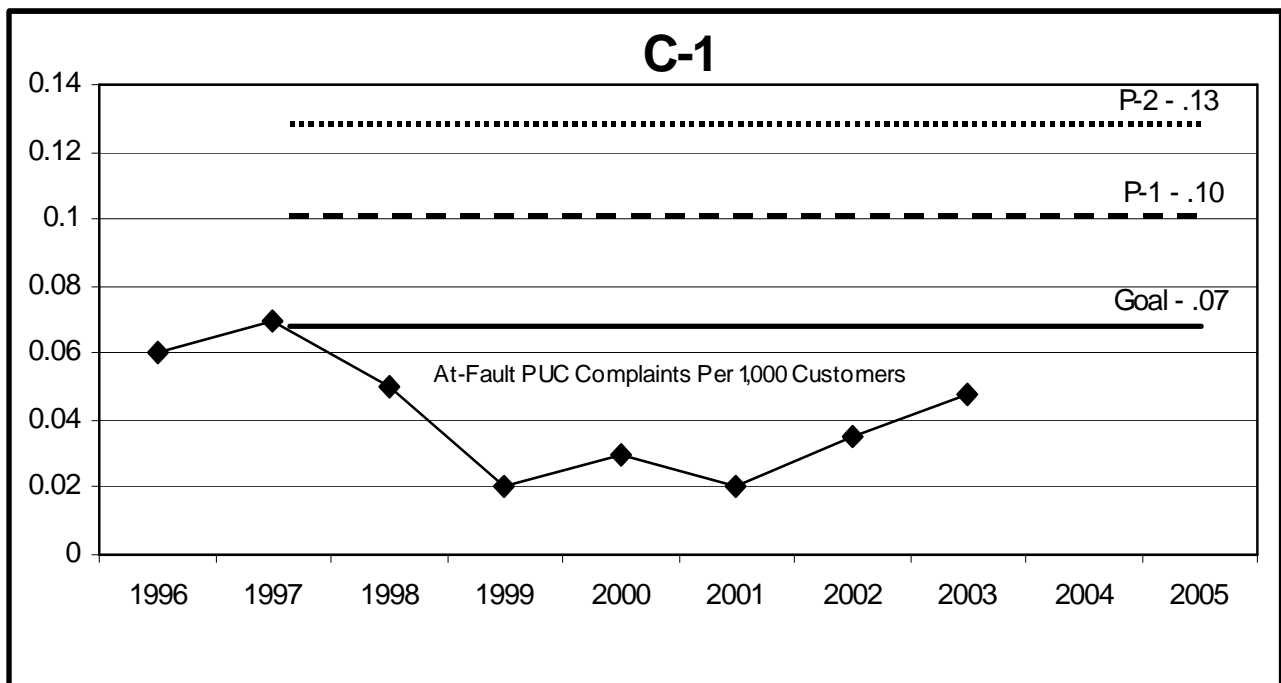
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or customer at-fault complaint frequency. This is expressed as the number of PUC customer complaints where PGE has been determined to be at-fault, having violated a tariff, rule, or business practice standard, per 1,000 customers, on an annual basis. For the ninth 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:



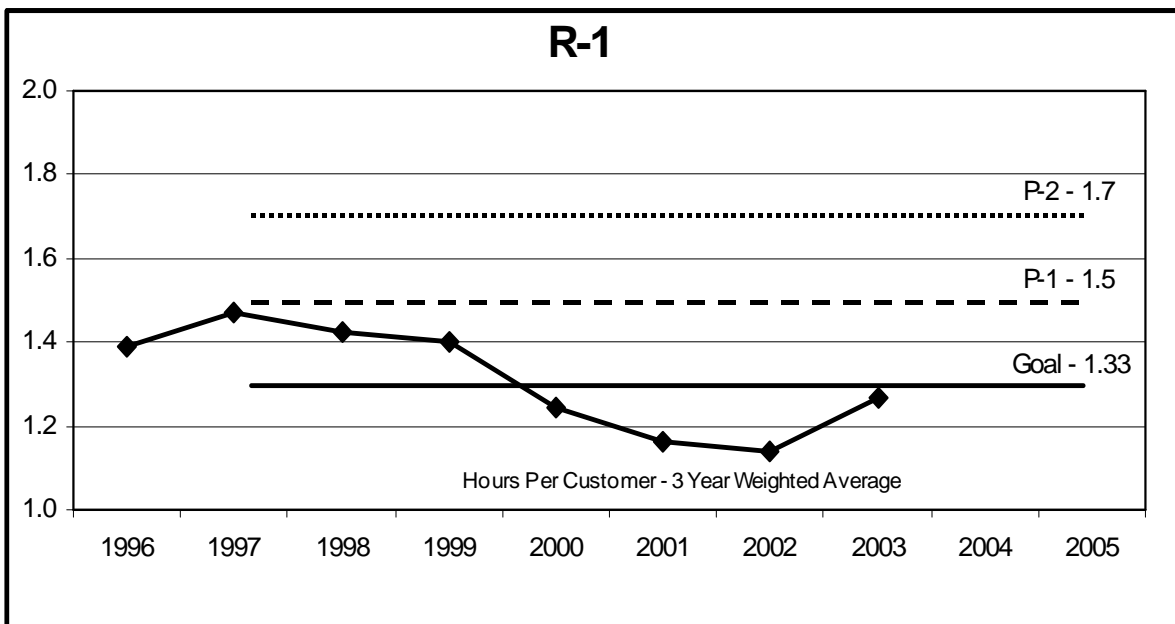
The next three measures relate to service reliability.

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 2005 are:

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

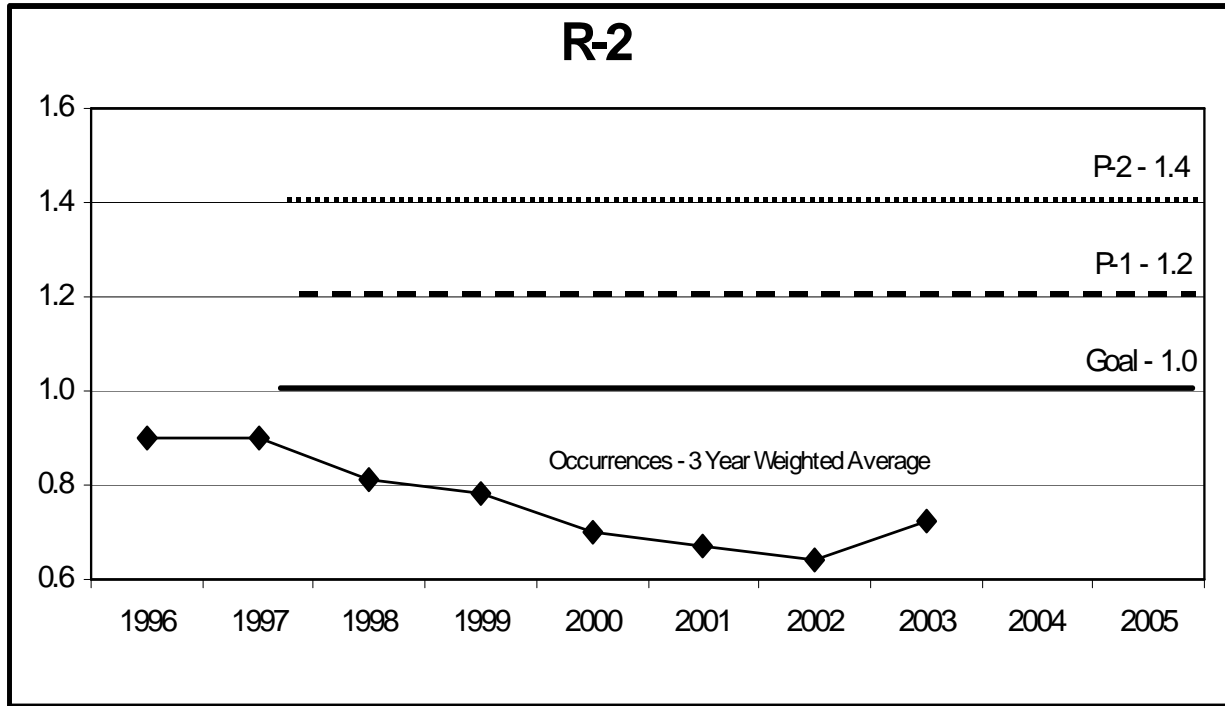
Actual PGE performance for this measure is provided in the following graph:



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 2005, are:

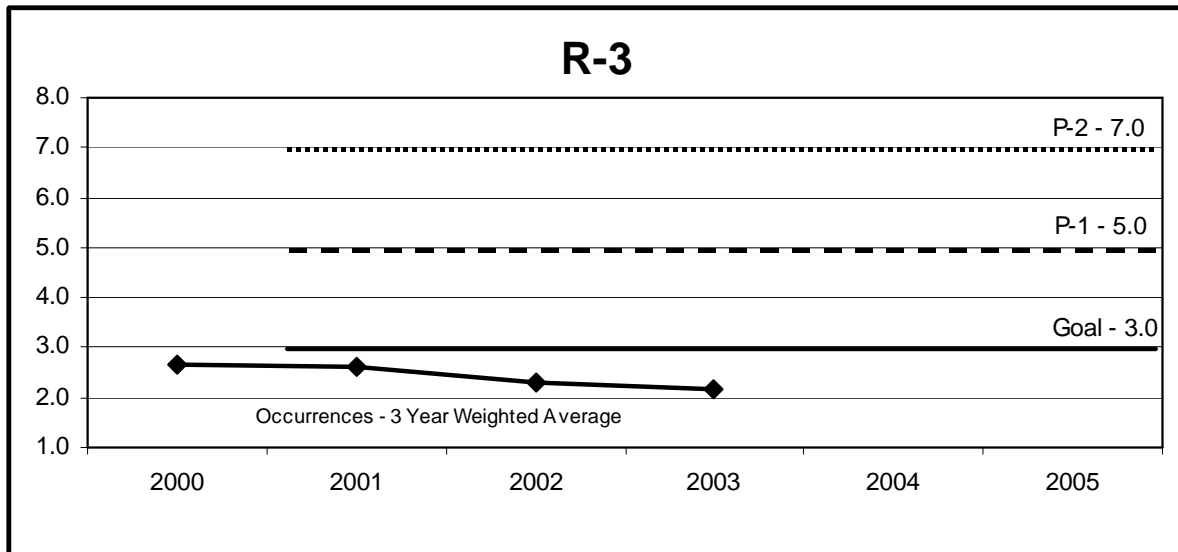
- Goal - 1.0 occurrences
- Penalty 1 line (\$100,000) - 1.2 occurrences
- Penalty 2 line (\$1,000,000) - 1.4 occurrences

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

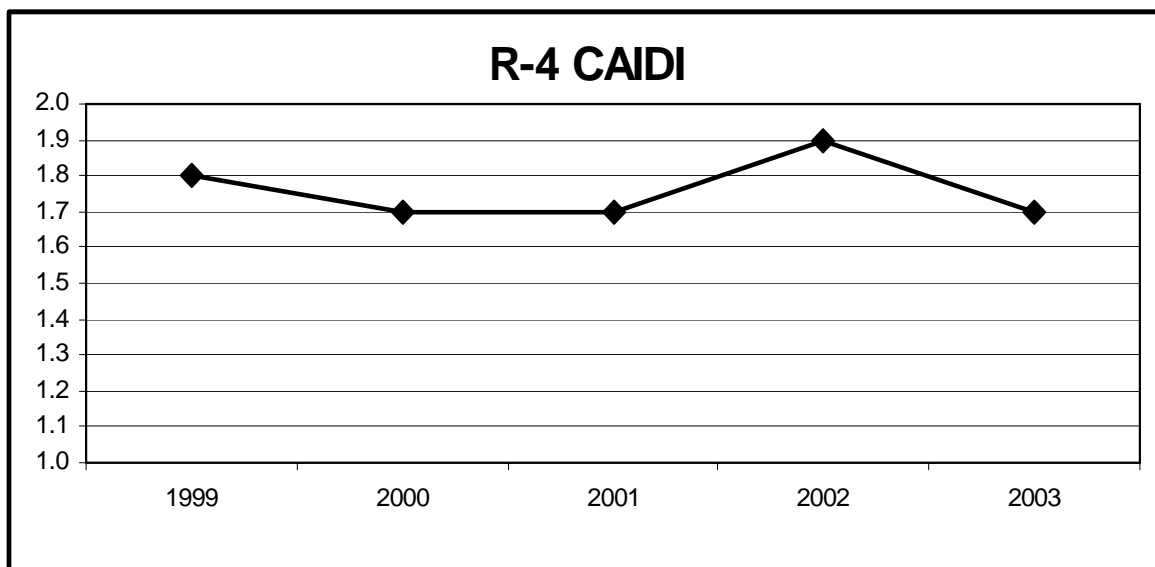


- Goal - 3
- Penalty 1 line (\$100,000) - 5
- Penalty 2 line (\$1,000,000) - 7

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



A new measure (R4) has been accepted in the UM 1121 case that will be included in the future, should Oregon Electric be successful in purchasing PGE. This measure will be structured like the other reliability measures and will use a standard index, the Customer Average Interruption Duration Index (CAIDI). This index gives a time value that indicates how much annual time out customers have had (but limits it to those customers that have actually experienced extended outages). Also, this measure uses a single year's performance only, and doesn't utilize 3 year weighted averaging. The following graph is provided for informational purposes. It shows PGE's CAIDI performance from 1999 through 2003. The Goal, P-1, and P-2 lines will be determined by the Commission in the future.



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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

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