

**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 2006. )

**DISPOSITION: 2006 SERVICE QUALITY MEASURES GOAL AND  
REVENUE REQUIREMENT REDUCTION (PENALTY) LINES SET**

At its public meeting on December 6, 2005, the Commission adopted Portland General Electric Company and Staff's joint recommendation to set goal lines and penalty lines for 2006. Staff's recommendation report is attached as Appendix A and is incorporated by reference.

**ORDER**

IT IS ORDERED that the 2006 Service Quality Measures goal and penalty lines for Portland General Electric Company are set, as described in Appendix A.

Made, entered and effective DEC 23 2005.

BY THE COMMISSION:



*Becky L. Beier*

**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.

**PUBLIC UTILITY COMMISSION OF OREGON  
STAFF REPORT  
PUBLIC MEETING DATE: December 6, 2005**

REGULAR \_\_\_\_\_ CONSENT X EFFECTIVE DATE January 1, 2006

DATE: November 21, 2005

TO: Public Utility Commission

FROM: Bill McNamee *WM*

THROUGH: *li* Lee Sparling, *EB* Ed Busch, *G* JR Gonzalez, and *bbt* Bonnie Tatom

SUBJECT: PORTLAND GENERAL ELECTRIC: (Docket No. UM 1004) Joint recommendation for the Commission to set Portland General Electric's Service Quality Measures performance levels for 2006, as required in UM 814 by OPUC Order 97-196.

**STAFF RECOMMENDATION:**

Staff and Portland General Electric (PGE) jointly recommend that the Commission set the Service Quality Measures (SQMs) performance levels for 2006 at the same levels that were established for 2005.

**DISCUSSION:**

**Overview:** Service Quality Measures were adopted by the Commission in 1997 as measurement tools related to safety programs and reliability monitoring activities conducted by the Safety Program Staff. SQMs are intended "...to provide a mechanism to ensure service quality is maintained at current levels or improved ..." (see UM 814 – PGE/Enron Merger, Order No. 97-196). Safety and Reliability Program Staff believe that the SQMs have proven to be an excellent regulatory tool.

There are eight separate measures included in PGE's UM 814 SQMs.

1. C1 - At Fault Customer Complaints
2. R1 - Average Interruption Duration
3. R2 - Average Interruption Frequency
4. R3 - Average Momentary Interruption Frequency
5. S1 - Major Safety Violations
6. X1 - Annual Review Vegetative Management

7. X2 - Annual Review Basic Inspection & Maintenance Programs
8. X3 - Annual Review Special Programs

Of these, four measures (C1, R1, R2, & R3) have three performance levels each (a goal and two penalty levels). These performance levels are set by the Commission on an annual basis. The establishment of SQM performance levels for 2006 is the subject of this memo.

**Other Measures:** A fifth measure (S1) has pre-set performance penalties in any case where the Commission declares that a "Major Safety Violation" has occurred. The remaining three measures, (X1, X2, and X3) are program-monitoring tools for various maintenance programs performed by PGE on an ongoing basis. 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. For these programs, Staff monitors items such as annual accomplishments, budgets and expenditures, and staffing levels.

**SQM Requirements and Penalties:** The details of SQM requirements are found 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 if service quality falls below the level the company agreed to provide.<sup>1</sup> The SQM stipulation also lists reporting requirements and a timeline, that includes this submission to the Commission, for determination of performance levels for the coming year.

The Commission has a great deal of discretion regarding how imposed penalties may be paid. Penalties can range from \$100,000 to \$1,000,000. The penalties could be implemented as revenue requirement reductions that would be returned to customers through rate decreases. The Commission could also direct the funds towards specific utility projects that would benefit customers, or could otherwise determine an appropriate use. The Commission has the discretion to recognize circumstances beyond the company's control and cap or adjust the penalty 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 levels set by the Commission. The concept here is that customers have paid for services that they have not received and, therefore, should be reimbursed.

**SQM C1:** The first measure that the Commission needs to set performance levels for is C1, 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

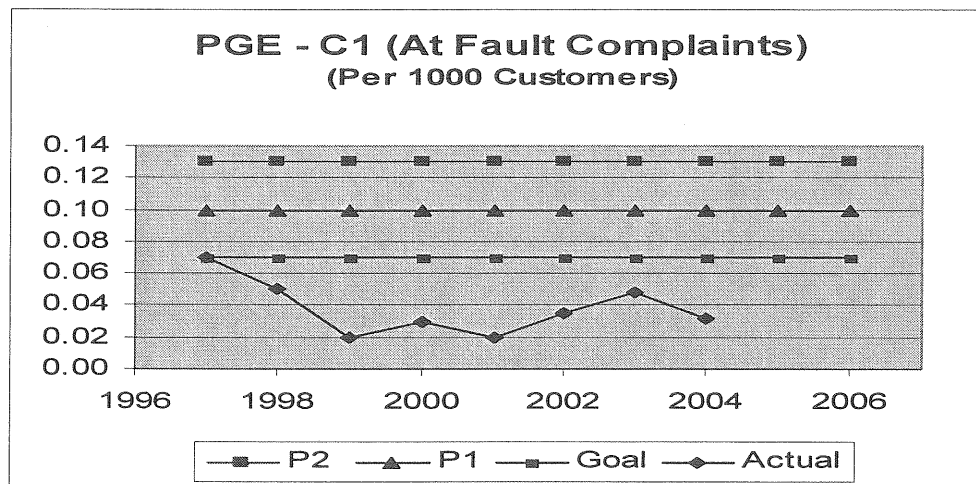
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<sup>1</sup> These penalties are distinct from those imposed under ORS 756.990.

violated a tariff, rule, or business practice standard. The C1 statistic is presented as the number of at-fault complaints per 1,000 customers. For 2006, it is recommended that these levels be:

- Goal - less than .07
- Penalty 1 level (\$100,000) - .10
- Penalty 2 level (\$1,000,000) - .13

Actual PGE performance is provided in the following graph:

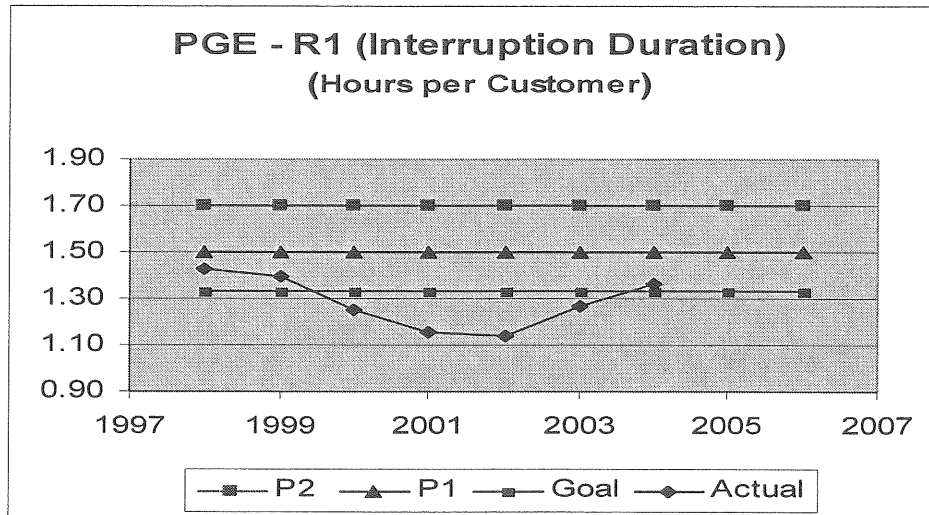


The next three measures relate to service reliability.

**SQM R1:** The R1 measure is a customer interruption duration (annual time without power) that utilizes a three-year weighted averaging formula. This is similar to the 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 levels recommended for Commission adoption for 2006 are:

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

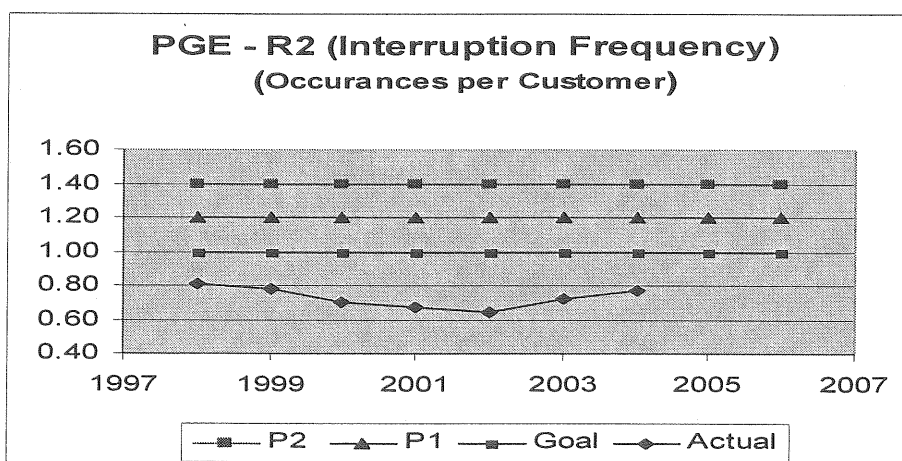
Actual PGE performance for this measure is provided in the following graph:



**SQM R2:** The R2 measure is an averaged customer interruption frequency (annual number of times service is interrupted for five minutes or more) that, like R1, utilizes a weighted three-year formula. This is, in essence, a three-year weighted System Average Interruption Frequency Index (SAIFI). The performance levels recommended for Commission adoption for R2, for 2006, are:

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

Actual PGE performance for R2 is provided in the following graph:

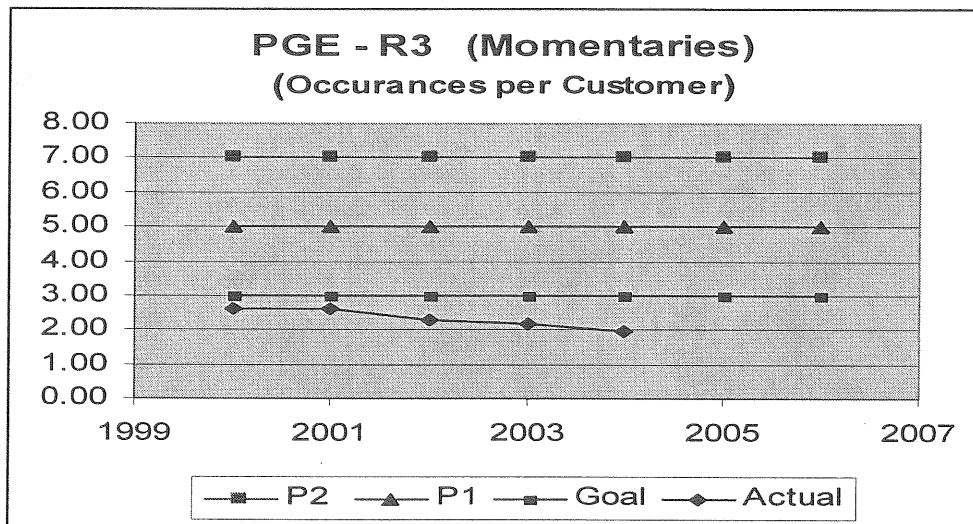


**SQM R3:** The R3 (averaged customer momentary interruption event frequency) measure has been phased in over the last few years. A trial run was performed for 1999, and the measure's first fully implemented year was 2000. Momentary

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 levels set for 2000 through 2005, Staff and PGE recommend R3 levels be set at:

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

PGE's historical performance for R3 is reflected in the following graph:



#### PROPOSED COMMISSION MOTION:

The Service Quality Measures performance levels for Portland General Electric for the year 2006 be set as follows:

1. For C1: Goal = .07 at-fault complaints per 1000 customers  
Penalty 1 = .10 at-fault complaints per 1000 customers  
Penalty 2 = .13 at-fault complaints per 1000 customers
2. For R1: Goal = 1.33 hours per customer  
Penalty 1 = 1.5 hours per customer  
Penalty 2 = 1.7 hours per customer
3. For R2: Goal = 1.0 occurrences per customer  
Penalty 1 = 1.2 occurrences per customer  
Penalty 2 = 1.4 occurrences per customer

4. For R3: Goal = 3 momentaries per customer  
Penalty 1 = 5 momentaries per customer  
Penalty 2 = 7 momentaries per customer

PGE 2006 SQMs – Docket UM 1004