

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1004

In the Matter of)
)
PORTLAND GENERAL ELECTRIC) ORDER
COMPANY)
)
Setting Service Quality Measures (SQM))
Performance Levels for 2007.)

**DISPOSITION: 2007 SERVICE QUALITY MEASURES GOAL AND
REVENUE REQUIREMENT REDUCTION (PENALTY)
LINES SET**

At its public meeting on December 19, 2006, the Commission adopted Portland General Electric Company's and Staff's joint recommendation to set goal lines and penalty lines for 2007. Staff's recommendation report is attached as Appendix A and is incorporated by reference.

ORDER

IT IS ORDERED that the 2007 Service Quality Measures goal and penalty lines for Portland General Electric Company are set, as described in Appendix A.

Made, entered and effective DEC 26 2006.

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 by filing a petition for review with the Court of Appeals in compliance with ORS 183.480-183.484.

ITEM NO. CA10

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 19, 2006**

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2007

DATE: December 7, 2006

TO: Public Utility Commission

FROM: Bill McNamee *WM*

THROUGH: *Li* Lee Sparling, *EB* Ed Busch, *JR* 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 2007, 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 calendar year 2007 at the same levels that were established for 2006.

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 and Maintenance Programs
8. X3 - Annual Review Special Programs

Four of the above measures (C1, R1, R2, and R3) have three performance levels each (*i.e., a goal and two penalty levels*).¹ The performance levels are set by the Commission on an annual basis. The establishment of SQM performance levels for 2007 is the subject of this memo.

The remaining measures are S1, X1, X2, and X3.² S1 establishes performance penalties in any case where the Commission determines that a "Major Safety Violation" has occurred (*i.e., service quality falls below the level the utility has agreed to*). The last three measures, are program-monitoring tools for various maintenance programs performed by PGE on an ongoing basis. For these measures, Safety Staff monitor items such as annual accomplishments, budgets and expenditures, and staffing levels. Basic programs include vegetation management, inspection and repair programs for overhead and underground lines, electric supply stations, marinas, major equipment maintenance, standards, and the metering program.³

SQM CI: 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 violated a tariff, rule, or business practice standard. The CI statistic is presented as the number of at-fault complaints per 1,000 customers.

The C1 performance levels should be comparable among energy utilities in Oregon (*i.e., the same for PP&L and PGE*). For 2007 the performance levels recommended for Commission adoption are:

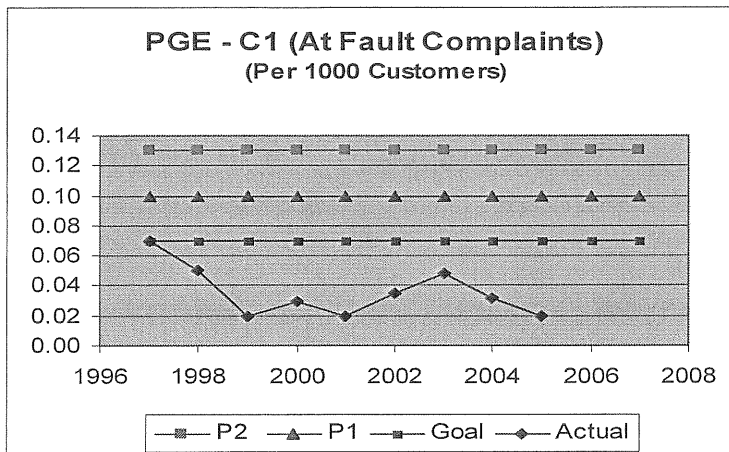
- Goal - less than .07 at-fault complaints per 1,000 customers
- Penalty 1 level (\$100,000) - .10 at-fault complaints per 1,000 customers
- Penalty 2 level (\$1,000,000) - .13 at-fault complaints per 1,000 customers

Actual PGE performance is provided in the following graph:

¹ Note that, if determined by the Commission to be appropriate, a penalty would be imposed as a revenue requirement reduction that would be returned to customers.

² This discussion is for informational purposes only, no Commission action is required for these measures.

³ PGE has proposed changes to the Basic Inspection and Maintenance Programs (X2) that Staff is currently reviewing.

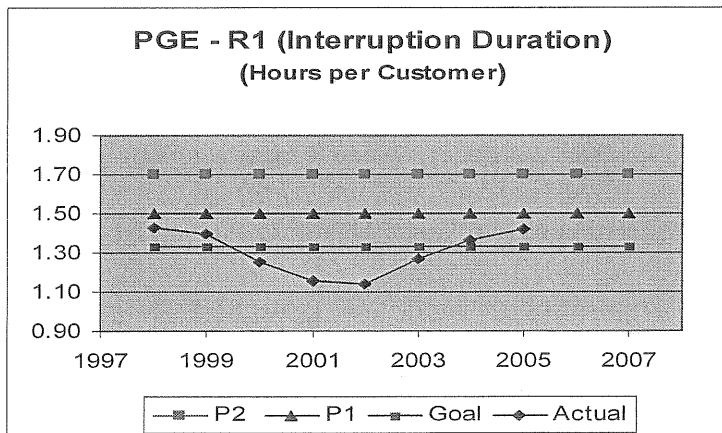


The next three measures relate to service reliability.

SQM R1: The R1 measure is a customer interruption duration (*i.e.*, *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 third year weighted at 20%. Certain "major events" can be excluded from these statistics when specific requirements have been met (*see OAR 860-023-0080 through 0160*). The performance levels recommended for Commission adoption for 2007 are:

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

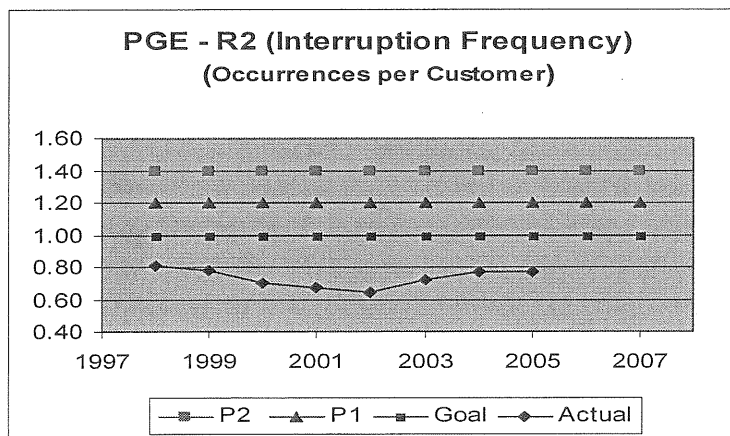
Actual PGE performance for this measure is provided in the following graph:



SQM R2: The R2 measure is an averaged customer interruption frequency (*i.e.*, 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 2007 performance levels recommended for Commission adoption are:

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

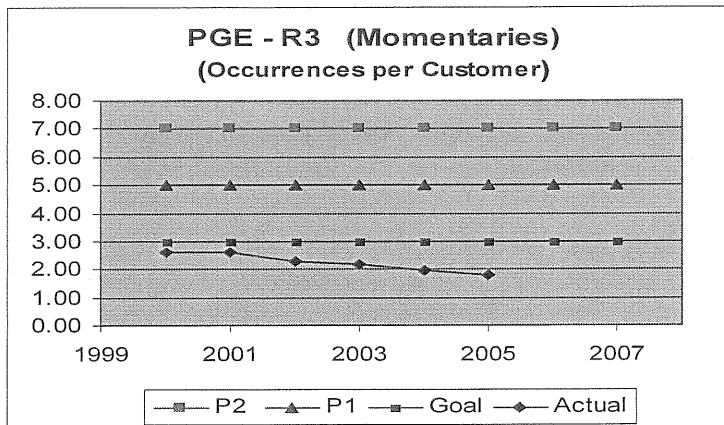
Actual PGE performance for R2 is provided in the following graph:



SQM R3: The R3 measure is a 3-year weighted average of a customer's momentary interruption frequency (*i.e.*, Momentary Average Interruption Frequency Index or MAIFI) has been phased in over the last few years. 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 2006, Staff and PGE recommend R3 levels be set at:

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

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 2007 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