

**BEFORE THE PUBLIC UTILITY COMMISSION
OF OREGON**

UM 1004

In the Matter of

PORTLAND GENERAL ELECTRIC
COMPANY

Setting of Service Quality Measures (SQM)
Performance Levels for 2011.

ORDER

**DISPOSITION: 2011 SERVICE QUALITY MEASURES
PERFORMANCE LEVELS SET**

At its public meeting on December 14, 2010, the Public Utility Commission of Oregon adopted the joint recommendation of Portland General Electric Company and Staff to set Service Quality Measures performance levels for 2011. The details of Staff's recommendation are described in Staff's Report, attached as Appendix A, and incorporated by reference.

ORDER

IT IS ORDERED that:

1. The 2011 Service Quality Measures performance levels for Portland General Electric Company are set at the same levels as 2010, with the exception of the R1 measure.

2. For the R1 measure the recommended levels are raised to:
Goal—1.50 hours; Penalty1 level at 1.75 hours; and Penalty 2 level at 1.92 hours.

Made, entered and effective DEC 22 2010

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. CA14

**PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 14, 2010**

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2011

DATE: December 7, 2010

TO: Public Utility Commission

FROM: Jerry Murray *Jam*

THROUGH: Lee Sparling *u* and JR Gonzalez *B*

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 2011, 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 2011 at the same levels that were established in 2010, with the exception of the R1 measure. For the R1 measure the recommended levels are raised to: Goal – 1.50 hours, Penalty 1 level at 1.75 hours, and Penalty 2 level at 1.92.

DISCUSSION:

Overview: Service Quality Measures were adopted by the Commission in 1997 as measurement tools related to customer service, safety issues, and reliability monitoring activities. 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, Reliability and Security 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

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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 2011 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. The last three measures are program-monitoring tools for various maintenance programs performed by PGE on an ongoing basis. For these measures, Safety, Reliability and Security 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.

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 violated a tariff, rule, or business practice standard. The C1 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 2011, the performance levels recommended for Commission adoption are:

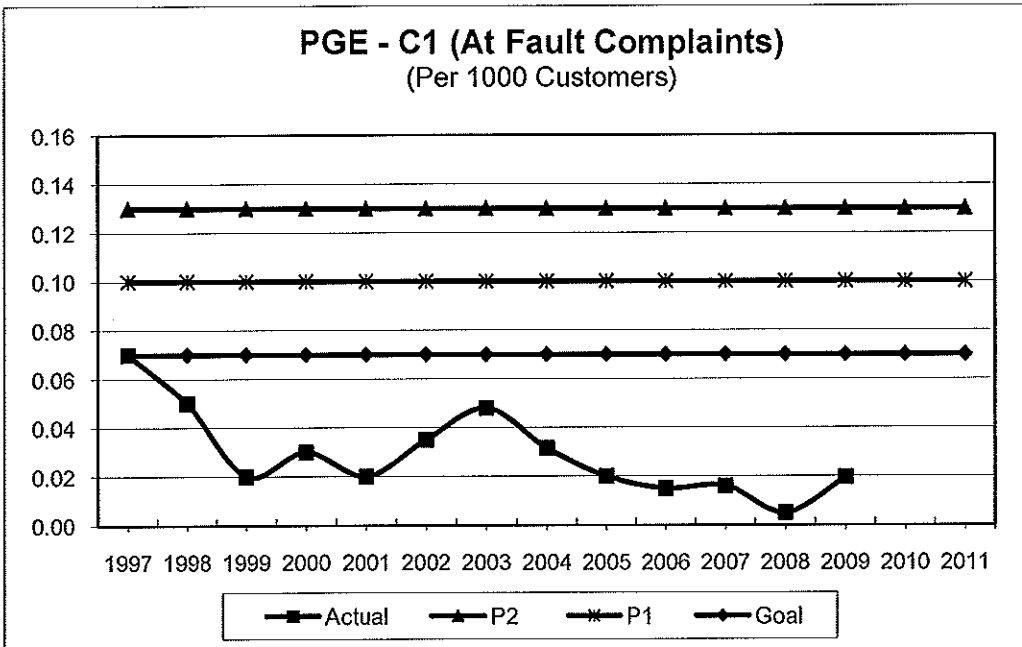
- Goal - less than 0.07 at-fault complaints per 1,000 customers
- Penalty 1 level (\$100,000) - 0.10 at-fault complaints per 1,000 customers
- Penalty 2 level (\$1,000,000) - 0.13 at-fault complaints per 1,000 customers

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.

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Actual PGE performance is provided in the following graph:



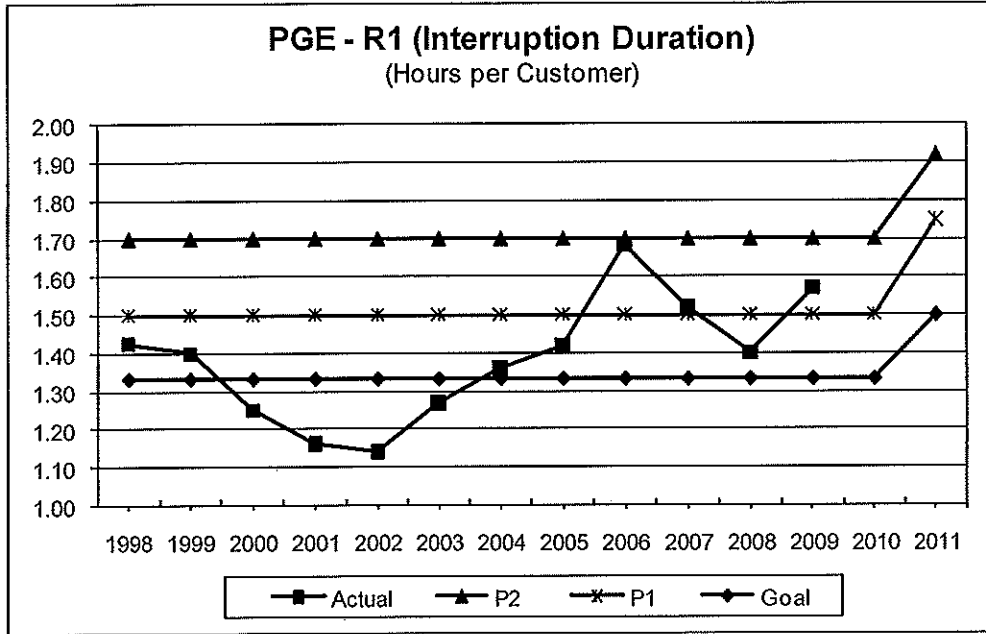
The next three measures relate to service reliability.

SQM R1: The R1 measure is a customer interruption duration (*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 percent, the previous year weighted at 30 percent, and the third year weighted at 20 percent. 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 2011 are:

- Goal - 1.50 hours
- Penalty 1 level (\$100,000) - 1.75 hours
- Penalty 2 level (\$1,000,000) - 1.92 hours

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

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Historically, Staff has worked with regulated utility companies, including PGE, in assessing unusual circumstances that have resulted in missed goals and thus the possibility of penalties when thresholds have not been met. PGE's R1 performance has exceeded the goal line in every year since 2004. PGE's R1 performance has been generally the result of increased adverse weather events in recent years. Meteorology reports submitted by PGE to Staff confirm this. PGE's and Staff's evaluation indicates that higher threshold levels are appropriate. Further, reviewing PGE's R1 performance against nationally-recognized electric reliability standards (i.e., ANSI/IEEE Standard 1366) indicates that PGE should not be penalized for these weather events. Therefore, PGE and Staff propose raising the goal line and penalty levels as shown in the above graph for 2011.

Currently, Oregon's electric regulated utilities and Staff are in the process of proposing new electric reliability rules (for OAR 860-023-0080 to 860-023-0160) for PUC rulemaking in early 2011 that would adopt the ANSI/IEEE Standard 1366. This effort should result in better methodologies for assessing utility reliability performance and establishing SQM goals and penalty levels.

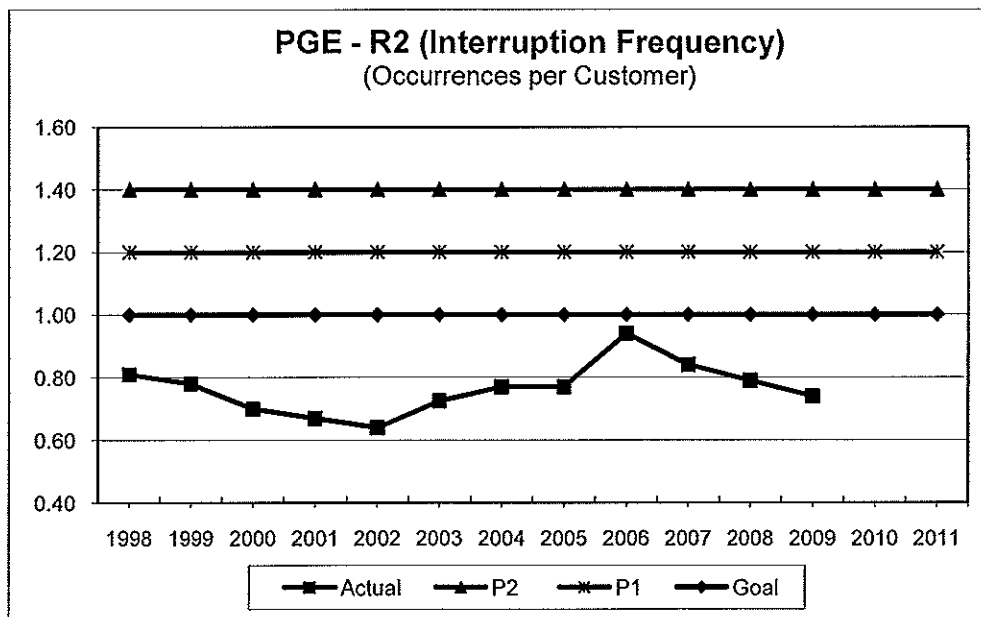
SQM R2: The R2 measure is an averaged customer interruption frequency (i.e., annual number of times service is interrupted for five minutes or more) that, like R1, utilizes a weighted three-year formula. This is, in essence, a three-year weighted

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System Average Interruption Frequency Index (SAIFI). The 2011 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:

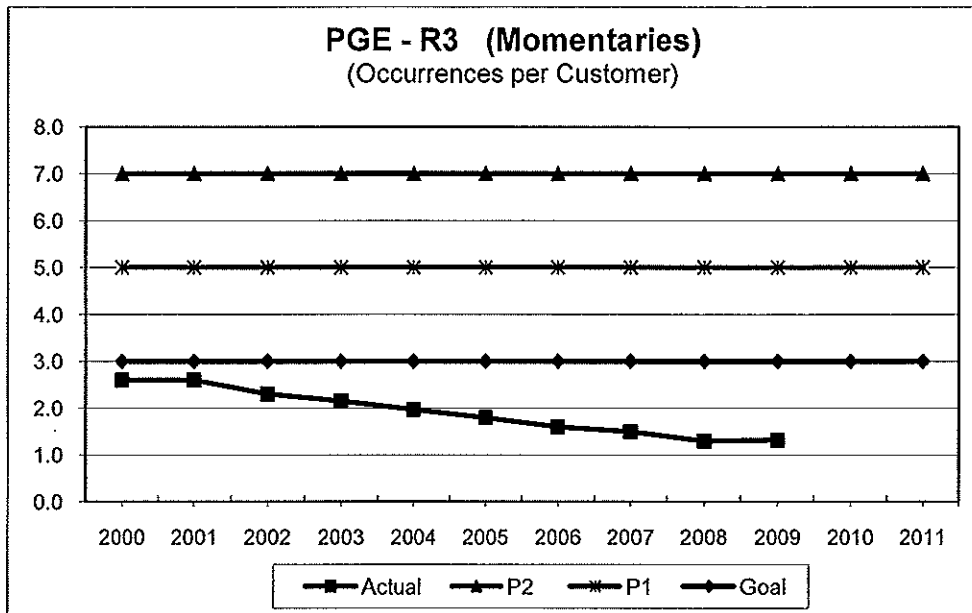


SQM R3: The R3 measure is a 3-year weighted average of a customer's momentary interruption event frequency (*i.e.*, *Momentary Average Interruption Event Frequency Index or MAIFI*) that has been phased in over the last few years. Momentary outages are primarily the quick blinks that occur on an electrical 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 2010, Staff and PGE recommend that R3 levels be set at:

- Goal – 3.0 occurrences
- Penalty 1 level (\$100,000) – 5.0 occurrences
- Penalty 2 level (\$1,000,000) – 7.0 occurrences

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

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In 2011 Staff and PGE will be working together to reevaluate and establish appropriate SQM performance levels based upon the full implementation of Advanced Metering Infrastructure (AMI). One of the many benefits expected to come from AMI will be PGE's ability to determine the extent of outages more quickly and deploy restoration crews more accurately. This will be a great benefit to both the customers and the Company.

PROPOSED COMMISSION MOTION:

The Service Quality Measure performance levels for Portland General Electric for the year 2011 be set as follows:

1. For C1: Goal = 0.07 at-fault complaints per 1000 customers
 Penalty 1 = 0.10 at-fault complaints per 1000 customers
 Penalty 2 = 0.13 at-fault complaints per 1000 customers
2. For R1: Goal = 1.50 hours of service outage per customer
 Penalty 1 = 1.75 hours of service outage per customer
 Penalty 2 = 1.92 hours of service outage per customer

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3. For R2: Goal = 1.0 sustained outage occurrences per customer
Penalty 1 = 1.2 sustained outage occurrences per customer
Penalty 2 = 1.4 sustained outage occurrences per customer
4. For R3: Goal = 3.0 momentary outages per customer
Penalty 1 = 5.0 momentary outages per customer
Penalty 2 = 7.0 momentary outages per customer

PGE UM 1004 - 2011 SQM Performance Levels