

PUBLIC UTILITY COMMISSION OF OREGON
STAFF REPORT
PUBLIC MEETING DATE: December 4, 2007

REGULAR _____ CONSENT X EFFECTIVE DATE January 1, 2008

DATE: November 20, 2007

TO: Public Utility Commission

FROM: Bill McNamee

THROUGH: Lee Sparling, Ed Busch, JR Gonzalez, and 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 2008, 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 2008 at the same levels that were established for 2007.

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 been a worthwhile regulatory tool.¹

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

¹ Pursuant to the Commission's December 14, 2005, order approving PGE's Stock Distribution (*Order No. 05-1250*), PGE's SQMs have been extended through 2016.

4. R3 - Average Momentary Interruption Event 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).² The performance levels are set by the Commission on an annual basis. The establishment of SQM performance levels for 2008 is the subject of this memo.

The remaining measures are S1, X1, X2, and X3.³ 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 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 performance level measure 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.

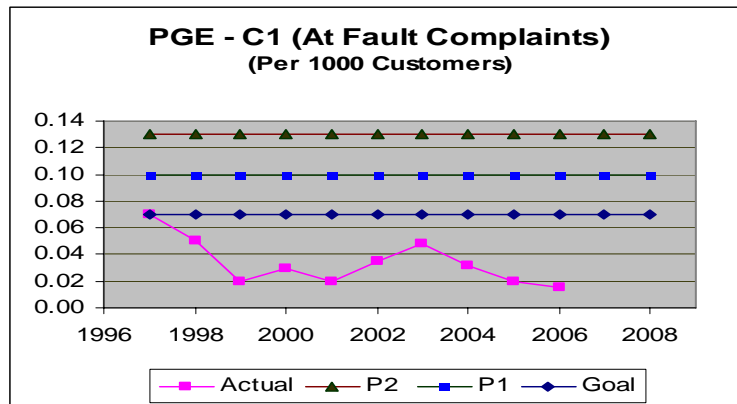
The C1 performance levels should be comparable among energy utilities in Oregon (*i.e.*, the same for PP&L and PGE). For 2008, the performance levels recommended for Commission adoption are:

- 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:

² 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.

³ This discussion is for informational purposes only, no Commission action is required for these measures.

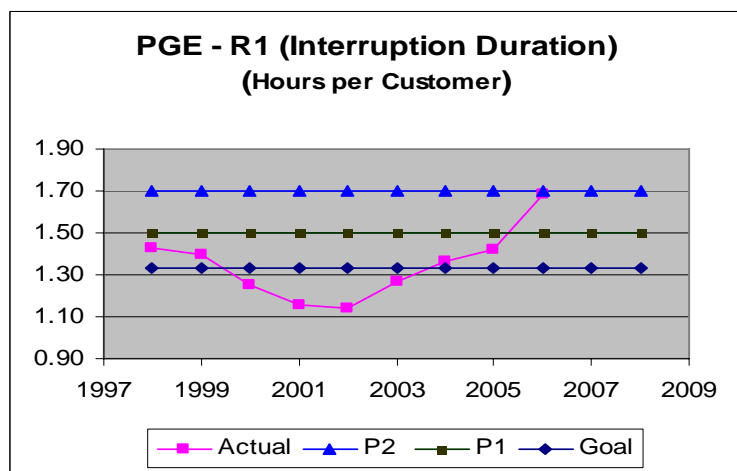


The next three measures relate to service reliability.

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 2008 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:



Upward Trend in Actual Performance: In its 2006 SQM Report, PGE explained that during January, February, and March six windstorms with gusts exceeding 55 miles per

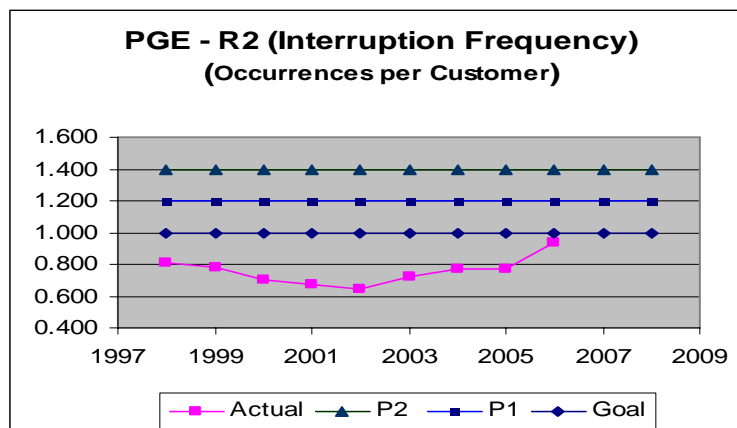
hour caused widespread outages in its service territory. A storm that results in outages for at least 10 percent of PGE’s customers can be excluded from the R1 calculation. None of the six identified windstorms reached this threshold. Nevertheless, PGE maintained that 2006 was the windiest winter in many years and that the cumulative impact of the sequence of storms resulted in an average interruption in service during winter 2006 of 43.1 minutes per customer. This compares to 15.3 minutes in 2005 and 10.1 minutes in winter 2007. PGE further noted that its system construction, maintenance, and outage restoration efforts worked well and that without strong performance in these areas the average interruption duration would have been higher.

In its review of PGE’s 2006 performance, Staff agreed with PGE’s assessment that the combination of many moderate windstorms resulted in the 2006 R1 measure exceeding its goal and first penalty level. Given the unusual weather circumstances, Staff did not initiate a formal complaint regarding the exceedance of the 2006 R1 penalty level. The current expectation is that the actual 2007 R1 performance will not exceed 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 System Average Interruption Frequency Index (SAIFI). The 2008 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

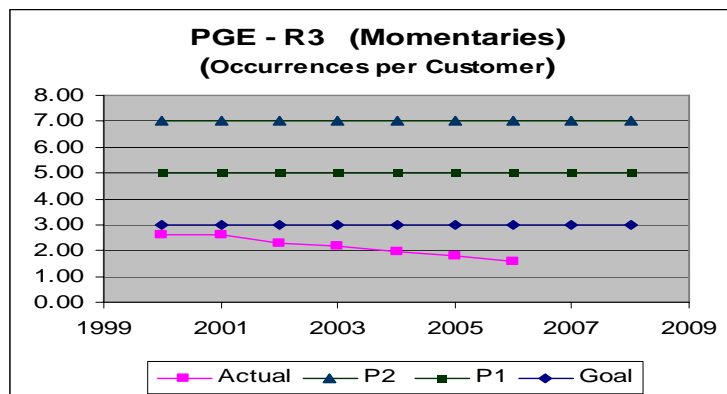
Actual PGE performance for R2 is provided in the following graph:



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 2007, 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 2008 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 of service outage per customer
 Penalty 1 = 1.5 hours of service outage per customer
 Penalty 2 = 1.7 hours of service outage per customer
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 momentary outages per customer
Penalty 1 = 5 momentary outages per customer
Penalty 2 = 7 momentary outages per customer