



JON HUNTSMAN Jr.
Governor
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Lieutenant Governor

State of Utah
Department of Commerce
Division of Public Utilities

FRANCINE GIANI
Executive Director

THAD LEVAR
Deputy Director

PHILIP J. POWLICK
Director, Division of Public Utilities

Memorandum

TO: Public Service Commission

FROM: Division of Public Utilities
Philip Powlick, Director,
Artie Powell, Energy Manager
Abdinasir Abdulle, Technical Consultant
Charles Peterson, Technical Consultant

DATE: December 18, 2008

RE: 08-035-55, 08-999-02 - PacifiCorp request to modify Performance Standards and Customer Guarantees per Docket No. 05-035-54, Stipulated Commitments 1 and 45, and Utah-specific Commitment U9

I. ISSUE

In a letter dated June 2, 2008, PacifiCorp, d.b.a. Rocky Mountain Power (Company) filed its semi annual report on the performance of its Service Quality and Customer Guarantee commitments pursuant to the Acquisition Stipulation commitments 1, 45, and U9 in Docket No. 05-035-54. In a follow-up letter dated June 4, 2008, the Company requested modifications to the Service Quality reporting. The Public Service Commission (Commission) on June 10, 2008 sent an Action Request to the Division of Public Utilities (Division) requesting comments on these letters by August 21, 2008. On August 21, the Division filed a memorandum requesting an additional 120 days to study the issues surrounding what constitutes a “Controllable Distribution Outage,” and to consider whether the proposed reporting changes are beneficial to ratepayers. Subsequently, the Commission extended the deadline for the Action Request to December 18, 2008. This Memorandum is the Division’s response to the Commission’s Action Request.

The Division also notes that the Company has filed today (December 18, 2008) a modified version that should replace the original filing. In this modified version, in addition to the changes proposed in the original application, the Company has lowered the standards for the network performances 1 and 2 (SAIDI and SAIFI) from what was proposed in the original filing.

II. RECOMMENDATION

Given the fact that the modified version filed on December 18, 2008 is replacing the original version, filed on June 4, 2008, the Division recommends that the Commission not adopt the proposed modifications to the Performance Standards and Customer Guarantees contained in the original application and close the current Action Request. Anticipating that the Commission will ask the Division to review the new modified application, the Division also recommends a review period of 120 days.

III. DISCUSSION

Since the close of the Acquisition in March 2006, the Division believes that PacifiCorp has complied with Commitments 1, 45, and U9, in particular, the Company has continued to satisfy its Customer Guarantees and to improve Service Quality. In the original application, the Company has reported to the Division its progress pursuant to commitment U9. The Company is proposing to alter the way it presents its Service Quality results by introducing the concept of “Controllable Distribution” outages. The Company is not proposing to make any changes to the Customer Guarantee Program.

The Company, Division, Committee of Consumer Services (Committee), Carol Revelt of the Commission Staff, and Art Sandack representing IBEW met for a technical conference on August 14, 2008. At the technical conference, Company representatives discussed their definition of “Controllable Distribution” outages and listed certain categories of outage causes that they considered “controllable.” An alternative term for “controllable” might be “preventable.” Controllable outages included outages due to animals, certain equipment failures such as failures due to deterioration and rotting, certain errors by PacifiCorp such as faulty

installation or switching errors, and causes due to trimmable trees. The Company wants to report SAIDI (System Average sustained Interruption Duration Index) and SAIFI (System Average sustained Interruption Frequency Index) figures based only on causes attributable to these controllable categories when reporting service quality compliance or improvements or progress. The Company would continue to report the total SAIDI and SAIFI figures as it currently does for general purposes. The Company's basic argument is that "controllable" causes are the items the Company can economically "fix" in order to improve the system's reliability. The flip side is that outages from non-controllable causes (e.g. automobiles crashing into power poles) cannot be prevented, or can be prevented only at very high cost.

The Division is concerned that the Company is defining "controllable" outage causes too narrowly as was discussed in the Division's Memorandum dated August 12, 2008 and would like to see a complete listing (or at least detailed guidelines or industry definitions) of what constitutes non-controllable outages and how the proposed changes would benefit or hold ratepayers harmless.

The Division has worked with the Company but has not reached an agreement on this issue. However, in its modified application, which replaces the original application, the Company (in addition to several new proposals) is asking for the same redefinition of SAIDI and SAIFI. Therefore, the Division recommends that the Commission not to adopt the proposed modifications to the Performance Standards and Customer Guarantees in the original application and close its Action Request to the Division dated June 10, 2008 with the due date of December 18, 2008.

cc: Dave Taylor, PacifiCorp
Michele Beck, Committee of Consumer Services
Cheryl Murray, Committee of Consumer Services
Art Sandack, attorney for IBEW