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Memorandum

TO: Public Service Commission

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

DATE: April 30, 2009

RE: 08-999-02 & 08-035-55 - 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 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 this letter 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.

On December 18, 2008, the Company filed a modified version that should replace the original filing. On December 18, 2008, the Division filed its comments with the Commission recommending 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. The Division also recommended a review period of 120 days. On January 6,

2009, the Commission issued an Action Request to the Division requesting comments on the proposed modifications to the service quality standards May 1, 2009. This Memorandum is the Division's response to the Commission's Action Request.

II. RECOMMENDATION (Approval with a condition)

The Division recommends that the Commission approve the proposed modifications to the Performance Standards and Customer Guarantees contained in the Company's December 18, 2009. As a condition, the Company has agreed to provide in an appendix to its semi-annual report descriptions of efforts made by the Company to improve service quality and reliability for causes that the Company has identified as not controllable. The Division recommends that the Commission include in its Order the requirement that the Company include such an Appendix in its reports when applicable.

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.

In the December 18, 2009, filing the Company indicated that it will extend its service standards program out to December 31, 2011 with some modifications to its network performance standards.

In this filing, the Company is proposing an outage category, "Controllable Distribution" outages. The Company defined controllable outage event¹ as an "outage event that can be attributed to

¹ For a list of what events constitute controllable event, please see the attached spreadsheet.

causes against which the Company is able to implement system improvements that have a high probability of avoiding future recurrence at a local level.” This outage category will be the basis of the network performance standards. Based on this controllable outage category, the Company will calculate controllable distribution System Average Interruption Duration Index and controllable System Average Interruption Frequency Index. The proposed standards will be based on these two variables.

The Company proposes that by December 31, 2009, it will improve controllable distribution outage duration and frequency by 29% and 27%, respectively. That means that, within this period, the Company will reduce the controllable distribution outage duration by 21 minutes to a target of 50.8 minutes. It will also reduce the Controllable outage frequency by 0.141 events to a target of 0.383 events. According to the Company, the baseline for these standards was determined by evaluating prior controllable outages. The Company will report both the total and underlying SAIDI and SAIFI for each year.

The Division believes that the proposed modifications to the network performance would help the Company prioritize its work and focus on those causes of outage over which it has clear control.

In its memoranda dated August 12, 2008 and December 18, 2008, the Division indicated its concern that the Company may be defining “controllable” too narrowly and that there might be opportunities for the Company to protect against certain non-controllable causes. The Company agreed that there have been occasions where that was possible. The Company agreed to provide, in an appendix to its semi-annual report, descriptions of efforts made by the Company to improve service quality and reliability for causes that the Company has identified as not controllable when the Company has identified and acted on such opportunities. The Division believes that this will provide regulators and other interested parties a more complete picture of the Company’s efforts to improve service quality and reliability.

Therefore, the Division concludes that the proposed Performance Standards and Customer Guarantees are reasonable and recommends that the Commission approve them. The Division also recommends that the Commission's Order in this matter include the direction to the Company to include an appendix to its semi-annual report that describes any efforts to improve service quality standards and reliability by mitigating outages due to a cause that has not been identified as controllable.

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