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Division of Public Utilities

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MEMORANDUM

To: Public Service Commission of Utah

From: Division of Public Utilities
Irene Rees, Director
Energy Section
Artie Powell, Acting Manager
Abdinasir Abdulle, Technical Consultant

Date: December 6, 2004

Re: Utah Holiday 2003 Storm Inquiry – Docket No. 04-035-01

ISSUE

On September 9, 2004, PacifiCorp (Company) held a meeting, regarding the status of its recommendations and the additional recommendations suggested by Williams Consulting Inc. regarding the Utah Holiday 2003 Storm Inquiry, in which the Commission, Division of Public Utilities (Division), Committee of Consumer Services (Committee), and other interested parties participated. This memorandum contains the Division's comments on the status report that the Company presented.

RECOMMENDATIONS

The Division recommends that the Commission acknowledge that the Company has made progress in addressing both the recommendations that they suggested and those suggested by WCI in relation to the Utah Holiday 2003 Storm Inquiry. The Division also recommends that the Commission require the Company to provide periodic reports on

several items related to the implementation of the recommendations. The specific reports that should be required are as listed in the discussion section of this memorandum.

BACKGROUND

A severe snowstorm and a subsequent wind hit the Wasatch Front late in the evening of December 25, 2003 and continued until January 3, 2004. This storm resulted in 80,000 customers losing power at the peak of the storm, 190,000 customers without power at some point during the storm, and about 2,700 customers out of power for several days following the storm's initial impact.

Following the storm, the Utah Public Service Commission (Commission) directed the Company to investigate the Company's response to the storm and other business activities. Subsequently, the Division put together terms of reference (TOR) for the investigation and retained Williams Consulting, Inc. (WCI), to provide an independent review and comment on Utah Power's report. Specifically, WCI was tasked to

- Perform a comprehensive analysis of the report with focus on conclusions and recommendations,
- Comment on the completeness of the terms of reference addressed in each section of the report,
- Prepare professional opinions regarding the conclusions and recommendations contained in the report, and
- Offer additional conclusions and recommendations with supporting rationale, analysis, and/or industry comparisons as appropriate.

On May 13, 2004, the Company submitted a report of its storm investigation (Utah Power, Public Service Commission Inquiry Report, Utah Holiday 2003 Storm Inquiry) in which the Company made 28 recommendations and indicated the issues that led to those recommendations. On May 12, 2004, WCI submitted its report to the Division (which was subsequently submitted to the Commission) and provided a copy to the Company. In

this report WCI concluded that a) the Company formed a well-conceived organizational structure to investigate the many areas of inquiry addressed in the report, b) the Company's report was comprehensive in terms of conformance with the agreed-upon TOR and was professionally prepared, c) the Company was open and honest in allowing WCI access to staff and data as needed, and d) the Company took immediate actions to implement enhanced practices and/or to more deeply probe and resolve issues that may have prevented them from responding to the event in the manner that they deemed adequate. In addition to the 28 recommendations proposed by the Company, WCI suggested 18 additional recommendations (on top of) to be implemented by the Company¹.

On September 9, 2004, the Company held a meeting in which they presented the status of its recommendations and a response to WCI's additional recommendations. In its presentation the Company indicated that they agreed with 9 of WCI's recommendations and disagreed with 9 others and provided an explanation of their disagreement. Of the 9 additional recommendations that the Company agreed with, the Company started acting upon them and their implementation is currently under way. The nine recommendations that the Company disagreed with are as follows:

Utah Power's Response

1. Conduct periodic "table-top" exercises for emergency response evaluation and include City and State emergency organizations in the simulation.

Reliability and Maintenance

1. Modify and expand the maintenance priority codes and schedules to specify the types of conditions requiring immediate corrective action, within one month, six months, and one year.

¹ Williams Consulting Inc. Review of PcifiCorp's Storm Response. Utah Holiday Storm – December 2003. May 12, 2004.

2. Perform a physical inspection of a sample of the distribution system including conductors and ancillary equipment, poles and all attachments, cross-arms, protective devices, lightening protection, transformers, switches, regulators, substations, and right-of-way conditions.
3. Review and update the Distribution Business Resource Plan last prepared in 2002.
4. Provide suitable increases in baseline maintenance budgets and resources in order to keep up with corrective maintenance work orders such that system reliability improves. This item would involve two distinct and significant activities.
 - a) Evaluate baseline maintenance budget to properly support corrective maintenance and system reliability targets.
 - b) Assess resource requirements based on the work plan to provide adequate resources (contracted and external) to support the plan.
5. Mount a "catch-up" maintenance program in order to substantially reduce the outstanding corrective maintenance items within a short time period and with a view to improving system reliability, particularly SAIFI. Further, the Company should, jointly work with the DPU, determine a reasonable and measurable target for SAIFI performance improvement and/or reduction of equipment failure outage frequency as an expected outcome of increased maintenance spending.

Organization and Resourcing

1. Perform an activity analysis of the Company's comprehensive maintenance plan to determine the number of annual man-hours by job classification required to execute all plan requirements. Convert man-hour requirements to full-time employee equivalents considering factors such as vacations and holidays, sick time, and labor productivity rates. This analysis will suggest a minimum staffing

- level (including an appropriate level of contract resources) required to fully implement annual inspection, testing, preventive and corrective maintenance activities included in the maintenance plan.
2. Consider engaging an outside company to perform an independent assessment of staffing needs in Utah in order to assure objectivity and minimize the potential impact of PacifiCorp budgetary constraints.

Comparative Performance and Benchmarking

1. Given the physical, geographical, staffing, budgeting and performance differences among the Company's various state operations, PacifiCorp should expand its recently initiated participation in the PA utility T&D benchmarking program to include separate reports for each of PacifiCorp's state operations, at least for Utah.

Williams Consulting, Inc. reviewed Pacificorp's response to WCI's recommendations and submitted their comments to the Division on October 8, 2004. The Division submitted these comments to the Commission as an attachment memorandum dated November 4, 2004. In short, WCI's comments indicate that the Company has made progress in addressing both the recommendations that they suggested and those suggested by WCI in relation to the Utah Holiday 2003 Storm Inquiry. However, WCI believes that the Company, in addition to the nine additional recommendations that they disagreed, has not fully addressed four of the nine additional recommendation they agreed upon. These four additional recommendations were

1. As an initial step, PacifiCorp should be required to provide periodic status reports to the DPU as to its progress in meeting the 3-year tree trimming cycle goal. If the regulatory agency is not satisfied with the progress or results, mandated vegetation management standards should be imposed by the regulator.

2. Conduct a maintenance plan audit to determine whether the Company is performing all inspections, testing, preventive and corrective maintenance in conformance with its maintenance plan requirements.
3. Institute a rigorous program to prioritize, schedule and track corrective maintenance for both "A" and "B" (and expanded codes as above) maintenance items.
4. Perform an annual review and comparison of PacifiCorp's Utah reliability metrics against itself, PacifiCorp other than Utah, and an industry benchmark panel.

After reviewing the information presented by the Company during the meeting on September 9, 2004 and WCI's comments, the Division identified what appeared to be areas of significant disagreement. Consequently, On November 4, 2004 the Division filed a memorandum with the Commission recommending that the Commission hold a technical conference to discuss the costs and the benefits of some of the recommendations, ways to monitor any action steps associated with the recommendations and how to measure progress in achieving desired results.

On November 23, 2004, in a phone conference between PacifiCorp, Williams, and the Division, PacifiCorp and WCI disagreements were discussed and resolved to the satisfaction of WCI². As a result, On November 26, 2004, the Division filed a memorandum with Commission in which it withdrew its recommendation of holding a technical conference.

The Division believes that the Company has made progress in addressing its own recommendations as presented in its final report and the additional recommendations suggested by WCI. However, the Division believes that some of the recommendations will lead to an improvement of certain conditions only over time. Therefore, there is a

² See the attached comments from WCI to the Division dated November 26, 2004.

need to follow up with the implementation and progress of several recommendations. To do so the Division recommends that the Company provide the following periodic reports:

Technology Issues

- 1) A report on the methods the Company used to determine the optimal number of lines and the results of the analysis for the recent CADOPS infrastructure update.

Vegetation Management

- 1) Semi-annual report on the status of the vegetation management operations with an initial baseline-setting report which shows both the existing backlog and forward planned tree trimming work. This will indicate whether the Company is making progress on its vegetation management operations.

Reliability and Maintenance

- 1) Periodic report on the outstanding conditions that require maintenance or repair (Priorities A and B) with initial baseline-setting report to establish the baseline status of the conditions (the backlog). This will indicate whether or not the Company has made progress in reducing the current backlog of conditions prioritized as A and B.

Organization and Resourcing

- 1) Periodic reports showing the total monthly forecasted work (Resource Utilization Tool (RUT) output) and the monthly available resources.

The Company anticipates holding a meeting sometime in February 2005 to present its final update regarding the implementation and progress of the recommendations. After this meeting, the Company has agreed to hold periodic meetings to discuss the specific measures and standards that the above listed reports should contain and to provide an update on the status of the implementation of the recommendations.