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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION OF PACIFICORP DBA ROCKY MOUNTAIN POWER FOR MODIFICATIONS TO THE SERVICE AND PERFORMANCE QUALITY REPORTING STANDARDS.	**CASE NO. PAC-E-12-02** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Weldon B. Stutzman, Deputy Attorney General, and in response to the Notice of Amended Application and Notice of Modified Procedure issued in Order No. 32555 on May 22, 2012, submits the following comments.

BACKGROUND

The Performance Standards Program was initiated as a result of the merger between Scottish Power and PacifiCorp (Company). The Company committed to a five-year term for the program beginning February 29, 2000 and ending March 31, 2005. The program was initially extended voluntarily but was later affirmed and extended through December 31, 2011, as part of MidAmerican's acquisition of PacifiCorp. Order No. 29998.

On July 25, 2008, the Commission approved modifications to the way Network Performance Standard targets were developed. Order No. 29973. The Company claimed improvement targets should be developed around outage events that are of a controllable nature on the distribution system and therefore developed the category of controllable distribution. The Company began to separate its tracking of outage causes between those classified as controllable, and those classified as non-controllable. The modification allowed the Company to use controllable distribution outage events as a basis for developing targets, instead of developing targets based on underlying distribution events. Controllable outage events are attributed to causes for which the Company is able to implement system improvements that have a high probability of avoiding future recurrence, whereas non-controllable outage events are attributed to causes that cannot be mitigated through system improvements. Non-controllable events include all outages associated with substation and transmission outages. Underlying outage events are comprised of both controllable and non-controllable interruptions impacting the distribution system.

On January 10, 2012, the Commission issued Order No. 32432 in Rocky Mountain's 2011 general rate case. The Company was ordered to "continue its service quality and performance reporting requirements, established as part of the merger commitments made by the Company in association with PAC-E-99-01, and examine the issue of momentary outages with an emphasis on possible options for improved service." Order No. 32432, p. 22. On January 23, 2012, Rocky Mountain filed an Application requesting authorization to modify the Company's existing Performance Standards Program, which includes a Customer Guarantee provision.

On February 15, 2012, the Commission issued a Notice of Application and Notice of Modified Procedure establishing a comment deadline of March 12, 2012. After the Company's Application was filed, Commission Staff and the Company discussed changes to the standards. As a result, on March 5, 2012, Rocky Mountain made a supplemental filing identifying significant changes to the matrix attached to the Company's Application. On March 8, 2012, Staff filed a Motion to vacate the March 12, 2012 comment deadline. The Motion stated that Staff and the Company will recommend a new process or comment deadline for the Commission to complete its review of the Company's Application. The Commission granted Staff's Motion, and ordered that the March 12, 2012 date for filing comments be vacated. Order No. 32484.

On May 11, 2012, Rocky Mountain filed an Amended Application to continue the current Customer Guarantees and Customer Service Performance Standards, but requesting Commission approval of modifications to Network Performance Standards 1, 2, and 3. For Network Performance Standards 1 and 2, the Company proposes to "re-establish baseline performance targets from the current controllable distribution outage events to reporting reliability performance based on underlying distribution events." Amended Application, p. 4. For Network Performance Standard 3, the Company proposes to target under-performing areas of concern instead of under-performing circuits, and to develop a new performance indicator to establish baseline performance.

STAFF REVIEW

Staff reviewed all of the Customer Guarantees, Network Performance Standards, and Customer Performance Standards proposed by the Company. Staff evaluated the Company's proposed changes given the Company's current commitments, its past performance, and the Commission order in the 2011 general rate case. Order No. 32432. The Company's Amended Application proposes the following modifications to the current Network Performance Standards:

1) Network Performance Standards 1 and 2

   The Company proposes the System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) baseline performance targets be based on underlying outages, instead of controllable outages.

2) Network Performance Standard 3

   The Company proposes selecting at least one under-performing area based upon a Reliability Performance Indicator (RPI), and then taking corrective measures to reduce the RPI by an average of 10% for the areas selected in a given year. The Company currently focuses on identifying under-performing circuits, and then takes corrective measures to reduce the average Circuit Performance Indicator (CPI) by 20% within five years on an annual basis for a maximum of two under-performing circuits.[1]

Performance Standards 1 and 2

The Company contends that performance targets based on underlying distribution events "better represent the overall outages customers' experience, moderately align to the normal day-to-day reliability performance of the distribution system, and provides a consistent view of the performance of the system to evaluate trends." Amended Application, p. 4. Staff reviewed the prior number of outages classified as underlying distribution events and controllable distribution

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[1] RPI and CPI are indices used to evaluate performance. RPI is calculated using controllable interruptions for SAIDI, SAIFI, and MAIFI. It is exclusive of breaker lockouts and major events as calculated by IEEE 1366-2012. The CPI includes breaker lockouts and major events as calculated by IEEE 1366-2012.

events in order to evaluate the different approaches for determining the baseline performance targets. In 2011 there were 3,292 underlying events excluding two prearranged outage categories. Of these events, 47% were classified as controllable. When comparing the outage minutes associated with the underlying events, there were 12,787,928 underlying outage minutes excluding two prearranged outage categories. Of these outage minutes, 27% were classified as controllable. Therefore, 73% of outage minutes in 2011 were classified as non-controllable, with just over one third of the non-controllable outage minutes caused by loss of supply due to substation and transmission outages. Staff believes that using controllable distribution outage events to set baseline performance targets will understate the duration and frequency of outages customers experience.

Staff believes that establishing performance targets using underlying distribution events better represents the overall outages customers experience, and reflects the true day-to-day reliability performance of the distribution system. Underlying events include transmission outages categorized as loss of supply, which typically result in longer outages and impact more customers than other outages. The Company should consider more closely evaluating the loss of supply category to determine whether these causes can be classified as controllable or non-controllable. By classifying the loss of supply category as controllable or non-controllable, the Company can target substation and transmission improvements that have a high probability of avoiding future outages. This guiding principal will keep costs down, improve reliability, and ultimately benefit ratepayers.

The Company proposes to continue reporting on total and controllable outages in its bi-annual report; to provide a rolling twelve month performance for controllable, non-controllable, and underlying distribution events; and to provide explanations of performance for actual performance variations from underlying baseline performance. If necessary, the Company also proposes to determine the appropriate course of action for improvement. Staff supports the Company's proposed reporting requirements, and its proposal to base its future Performance Standards 1 and 2 targets on underlying distribution events.

Performance Standard 3

The Company contends that shifting the focus of the standard from under-performing *circuits* to under-performing *areas* will allow the Company to be more effective when creating improvement plans. The Company has been focusing on its under-performing circuits for years, so from 2006 to 2011, Staff reviewed the CPI for all the Company's circuits. Even though annual changes in the CPI are difficult to evaluate because the number of major events in any given year can dramatically impact the overall score, the CPI for the system appears to have improved.[2] The improvement plan focusing on under-performing circuits seems to have been effective, but Staff realizes it may be more cost-effective to focus on under-performing areas to improve reliability. The current proposal allows the Company flexibility in its improvement plans to target areas of the system yielding the largest economic benefit to ratepayers, whereas the current standard limits the Company's focus to improving the two worst-performing circuits.

In its Amended Application, the Company did not describe the criteria it plans to use for determining the under-performing areas it targets; however, the Company does propose to identify the criteria in its bi-annual reports. The Company also proposes to work with Staff to develop methods to report the target area performance and cost-benefit results. Staff supports the Company's proposals, and believes it is important to understand how the Company decides when particular capital investments are necessary for improved delivery and reliability. During the last rate case, the Company asserted that all of the "capital investments are necessary to support increased power production to meet customer demands and to provide delivery *and improve reliability*." [Emphasis added] Case No. PAC-E-11-12, Walje Direct, p.3, l.15-17. Improving reliability clearly comes at a cost to ratepayers, so Staff believes it is necessary to compare the costs of these system enhancements to the amount of improved reliability. If the Company discovers that the improvement costs outweigh the improvement benefits, the Company should consider modifications to the Performance Standards Program to recognize that maintaining performance levels is appropriate.

Staff reviewed the Company's proposal to use the Reliability Performance Indicator (RPI) to develop the baseline performance targets. The RPI is calculated exclusive of breaker lockouts and major events, whereas the Circuit Performance Indicator (CPI) includes breaker lockouts and major events. Staff believes improvement targets should be developed around outage events that are controllable, and can be mitigated through system improvements. It can be difficult to evaluate performance using the CPI because it is impacted by major events and intended to capture the performance of an entire circuit, not sub-circuits or segments. The RPI is

[2] Major events are categorized as non-controllable abnormal events, with extraordinary numbers of outages and long durations.

a more consistent way of evaluating trends in performance and allows the Company to measure improvements in smaller areas.

Staff reviewed the Company's historical outage data to see whether the proposed improvement in the RPI is acceptable within a given year. The RPI is a new measurement and has not been historically recorded by the Company, so for comparison purposes the CPI was adjusted to only include controllable distribution events. Even though the CPI pertains to an entire circuit's performance and the RPI to specific segments or sub-circuits, this was the only way to reasonably approximate how the Company's RPI may have performed. Staff analyzed the average annual improvement in CPI since 2006, and found it averaged 17%. Staff believes that reducing the RPI by an average of 10% for the areas selected within a given year is a reasonable starting point. As the Company develops its program and determines the most cost-effective ways to prioritize particular segments, the Company can revisit its performance target. Staff supports the Company's proposed reporting requirements, and its proposal to shift the Performance Standard 3 focus to addressing under-performing areas.

Historical Performance

The Company requested the Commission acknowledge that MidAmerican Energy Holding Company (MEHC) met its merger commitment by successfully delivering the Customer Guarantees, Network Performance Standards, and Customer Performance Standards programs through December 31, 2011. Staff reviewed the Company's actual Customer Guarantees, Network Performance Standards, and Customer Performance Standards to verify that it met its commitments. In 2011, the Company met its Customer Guarantees 99.9% of the time and successfully met its Customer Performance Standards. Looking at the Network Performance Standards, Staff found that even though the Company did not meet its targets for Network Performance Standards 1 and 2, it did meet the previously established standard to improve controllable distribution SAIDI and SAIFI. In order to meet the targets, the Company's best performance would have had to improve SAIDI by 46.2% and SAIFI by 36.8%. Comparatively, the Company's best performance improved SAIDI by 29.6% and SAIFI by 28.4%. Staff looked at the Company's overall controllable distribution performance throughout the commitment period and found, with the exception of 2010, the Company's SAIDI and SAIFI controllable distribution has shown steady improvement.

Similar to what the Commission stated in the 2011 general rate case order, Staff finds that the information in the bi-annual service quality reports has been vital to assess reliability and service quality issues. The Company makes significant investments on the basis of improved reliability, and the reports assist the Staff and the Commission in determining benefits to ratepayers. Staff recommends the Commission acknowledge that MEHC met its merger commitment by successfully delivering the Customer Guarantees, Network Performance Standards, and Customer Performance Standards programs through December 31, 2011.

STAFF RECOMMENDATION

Staff reviewed the Performance Standards proposed in the Company's Amended Application and believes the modifications will allow the Company to continue to improve Network Performance. Staff recommends that the Commission acknowledge that MEHC met its merger commitment through December 31, 2011, and approve the Network Performance Standards proposed in the Company's Amended Application filed on May 11, 2012.

Respectfully submitted this 12th day of June 2012.

Weldon B. Stutzman
Deputy Attorney General

Technical Staff: Matt Elam

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 12th DAY OF JUNE 2012, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-12-02, BY MAILING AND E-MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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