

Company: San Diego Gas & Electric Company (U902M)  
Proceeding: 2016 General Rate Case  
Application: A.14-11-003  
Exhibit: SDG&E-240

**SDG&E**

**REBUTTAL TESTIMONY OF MASON WITHERS  
ELECTRIC RELIABILITY PERFORMANCE INCENTIVES**

June 2015

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**





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1 **SDG&E REBUTTAL TESTIMONY OF MASON WITHERS**  
2 **ELECTRIC RELIABILITY PERFORMANCE INCENTIVES**

3 **I. INTRODUCTION**

4 My rebuttal addresses issues raised in the testimony of The Coalition of California Utility  
5 Employees (CUE) and The Utility Consumers' Action Network (UCAN) regarding Electric  
6 Reliability Performance Measures. This subject was originally addressed in the testimony and  
7 workpapers of Mr. Jonathan Woldemariam in SDG&E exhibits SDG&E-10 and SDG&E-10-  
8 WP.

9 **A. CUE**

10 The Coalition of California Utility Employees served its testimony on May 15, 2015.<sup>1</sup>  
11 The following is a summary of CUE's position:

- 12 • CUE opposes San Diego Gas & Electric's (SDG&E) electric reliability proposals in this  
13 General Rate Case (GRC) on the basis that, after having previously met to work out a  
14 joint proposed settlement as a result of the 2012 GRC, "[n]ow, however, SDG&E is  
15 proposing to change its reliability incentive mechanism in a way that undercuts one of the  
16 promises made when filing the current reliability mechanism."<sup>2</sup>
- 17 • CUE proposes ". . . that the Commission retain the existing performance mechanisms in  
18 place, with 2016 becoming the second year under those mechanisms, and 2017 the third,  
19 and so on."<sup>3</sup> In other words, they propose to apply the 1% improvement factor to the  
20 2015 benchmark for the year 2016 and each successive year.
- 21 • CUE continues, "[i]f there is a reason after several years to modify the existing  
22 mechanism, SDG&E can revisit this issue in its 2019 GRC application."<sup>4</sup>
- 23 • Lastly, CUE proposes "the Commission should require SDG&E to prepare a VOS [Value  
24 of Service] study for filing with its next GRC that identifies a composite value per minute  
25 of SAIDI and per outage (unit of SAIFI), in order to inform the setting of incentive  
26 parameters in that GRC."<sup>5</sup>

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<sup>1</sup> Prepared Testimony of David Marcus on Behalf of The Coalition of California Utility Employees, May 15, 2015.

<sup>2</sup> *Id.* at 57:6-8.

<sup>3</sup> *Id.* at 61:8-10.

<sup>4</sup> *Id.* at 61:10-12.

<sup>5</sup> *Id.* at 62:10-13.

1           **B.     UCAN**

2           The Utility Consumers’ Action Network submitted testimony on May 15, 2015.<sup>6</sup> Under  
3 the heading ‘Risk-Shifting Proposals,’ UCAN witness Mark Fulmer recommends:

- 4           • UCAN’S proposed electric reliability performance benchmarks should be adopted in  
5 place of SDG&E’s proposal.<sup>7</sup>
- 6           • UCAN claims that SDG&E has not calculated the performance incentive benchmarks  
7 consistent with the mechanism adopted in Decision (D.) 14-09-005,<sup>8</sup> stating that SDG&E  
8 offers no explanation that its proposal would weaken the benchmarks, and was not  
9 forthcoming about the repercussions of that adjustment.<sup>9</sup>
- 10          • UCAN supports CUE’s proposal to apply the annual 1% improvement factor to the  
11 benchmarks currently in effect.<sup>10</sup>

12 In the following sections I provide rebuttal to these points raised by CUE and UCAN.

13           **C.     Historical Context of Electric Reliability Performance Incentives Currently**  
14           **in Place**

15           The following is a brief overview of developments related to the electric reliability  
16 Performance Based Ratemaking (PBR) mechanism, herein referred to as PBR. For several GRC  
17 cycles prior to its Test Year (TY) 2008 GRC application, SDG&E had been operating with an  
18 electric reliability PBR. However, in the TY 2008 GRC decision (D.08-07-046), the structure  
19 and terms of the electric reliability PBR were substantially changed. In the 2008 GRC decision,  
20 SDG&E was allowed to accept or decline the terms of the PBR. Because of the significant  
21 changes, SDG&E declined the PBR. Attachment A to this testimony is the letter from SDG&E  
22 to the California Public Utilities Commission (Commission), which discusses the reasons for  
23 declining.

24           Accordingly, SDG&E did not have an electric reliability PBR during the TY 2008 GRC  
25 cycle (2008 through attrition year 2011). Nor did SDG&E propose an electric reliability PBR in  
26 its TY 2012 GRC application. The addition of an electric reliability PBR was proposed in the

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<sup>6</sup> Testimony of Briana Kobor, Laura Norin, and Mark Fulmer on Behalf of The Utility Consumers’ Action Network Concerning Sempra’s Revenue Requirement Proposals for San Diego Gas & Electric and SoCalGas, May 15, 2015.

<sup>7</sup> UCAN (Fulmer) 80:17-81:5.

<sup>8</sup> *Id.* at 78:13-15.

<sup>9</sup> *Id.* at 78:21-23.

<sup>10</sup> *Id.* at 80:18-81:1.

1 2012 GRC cycle by CUE (although it was not their primary proposal, which was a Reliability  
2 Investment Incentive Mechanism (RIIM) mechanism similar to one in place for Southern  
3 California Edison Company (SCE)). ALJ Wong’s Proposed Decision in the TY 2012 GRC  
4 concluded that “[b]ased on the information that is before us, we do not adopt CCUE’s  
5 recommendation to impose performance incentives or a RIIM-type mechanism on SDG&E.”<sup>11</sup>  
6 However, in the final decision on May 9, 2013, SDG&E was ordered to file an advice letter<sup>12</sup> to  
7 propose a PBR consistent with D.08-07-046. (SDG&E had previously been allowed to decline  
8 those PBR mechanisms in 2008.)

9 Ordering Paragraph 9 of the 2012 GRC decision states:

10 9. San Diego Gas & Electric Company is directed to file a Tier 3  
11 advice letter within 90 days of the effective date of this decision,  
12 proposing a set of reliability performance incentives consistent  
13 with what was adopted in D.08-07-046, updating the targets that  
14 would have been in effect in 2010.

15 a. The advice letter shall include at a minimum the system average  
16 interruption duration index (SAIDI), system average interruption  
17 duration exceeding threshold (SAIDET), and system average  
18 interruption frequency index (SAIFI) with proposed targets,  
19 deadbands, increments, rewards, penalties and maximum amounts,  
20 and annual improvement measures for each index. (D.13-05-010,  
21 p. 1102)

22 In 2013, in response to Ordering Paragraph 9, SDG&E submitted an advice letter that  
23 proposed “a set of reliability performance incentives consistent with what was adopted in D.08-  
24 07-046”. But SDG&E also filed an alternative which contained modifications to those adopted in  
25 D.08-07-046. The purpose of the alternative proposal was to create a reasonable incentive  
26 mechanism that allowed SDG&E to balance public safety and a customer focus with the  
27 SDG&E’s excellent reliability. The advice letter is attached in Attachment B to this testimony.

28 CUE protested the advice letter, and after some discussion, CUE and SDG&E agreed to  
29 work on a mutually acceptable proposal to present to the Commission. During the subsequent  
30 period of time, SDG&E and CUE worked together to create terms of a new PBR that was

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<sup>11</sup> Proposed Decision of ALJ Wong (A.10-12-005 A.10-12-006), Mar 29, 2013, at p. 205.

<sup>12</sup> D. 13-05-010 (A.10-12-005 A.10-12-006), May 9, 2014, at p. 1102, Ordering Paragraph (OP) 9 states “  
San Diego Gas & Electric Company is directed to file a Tier 3 advice letter within 90 days of the effective  
date of this decision, proposing a set of reliability performance incentives consistent with what was  
adopted in D.08-07-046, updating the targets that would have been in effect in 2010.”

1 agreeable to both parties. The parties discussed the PBR via email, over the phone, and met in  
2 person. The negotiated terms of the PBR were used in the Joint Petition for Modification of  
3 Ordering Paragraph 9 of D.13-05-010 (PFM); then submitted on June 6, 2014, jointly signed by  
4 CUE and SDG&E. No party protested the Joint PFM, and the decision approving the Joint PFM  
5 was issued by the Commission on September 16, 2014.<sup>13</sup> Because of the timing of the filing and  
6 the Commission decision, the year 2015 was the first year that the PBR would be in place.

7 The details of the contents of the PFM are discussed below. Importantly, during the  
8 development of the PFM, SDG&E considered the timing of that PBR to be aligned with timing  
9 of the ordering GRC, as had been the precedent for previous PBR mechanisms. In other words,  
10 SDG&E proposed that the PBR, as described in the PFM, would exist under those terms until the  
11 end of 2015, with the further understanding that an updated PBR would be litigated in the TY  
12 2016 GRC application, and be implemented as part of the 2016 GRC decision. When SDG&E  
13 submitted its testimony for the 2016 GRC application, Mr. Jonathan Woldemariam's testimony  
14 (Ex. SDG&E-10-R) included a request for a PBR, based on the structure of the jointly filed  
15 PFM, but with terms based on the timing of the 2016 GRC. Because the funding of electric  
16 reliability programs affects the results of incentive programs, it makes sense to associate the  
17 timing of the funding mechanism (the GRC) with the timing of the incentive program (the PBR).  
18 SDG&E believed that the relationship of timing between the GRC and PBR is logical, consistent  
19 with precedent and should be readily understood by all parties.

20 To conclude, the PBR methodologies in place for year 2015 were agreed upon through a  
21 process that originated in, and are modified by, different rulings. In D.08-07-046, a decision  
22 regarding PBR for the 2008 GRC was made. Later, in D.13-05-010, the Commission ordered  
23 SDG&E to propose a PBR based upon D.08-07-046. On June 6, 2014, SDG&E and CCUE filed  
24 a joint Petition for Modification, which requested an alternative PBR to apply to the remainder of  
25 the 2012 GRC.

### 26 **The PFM and the PBR Framework**

27 The PFM enumerates only the differences between the joint proposal and the D.08-07-  
28 046 ruling. The combination of rulings and acceptance of the PFM has created a PBR framework

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<sup>13</sup> D.14-09-005, Decision Regarding Joint Petition for Modification of Electric Reliability Standards in Ordering Paragraph 9 of Decision 13-05-010 and Related Petition for Modification.

1 that allows for a consistent procedure that can be used for successive PBR/GRC cycles. The  
2 methodologies outlined below are excerpted from these rulings.

3 Specifically, the following methodologies are in place:

- 4 1. SAIDI and SAIFI benchmarks to be determined using five years of historical SAIDI  
5 and SAIFI data.
  - 6 a. As found in D.08-07-046.
- 7 2. The SAIDI and SAIFI data to be used is the most recently available complete five  
8 years
  - 9 a. D.08-07-046 states : “DRA calculates a target of 0.61 outages, based on  
10 the five-year (2002 - 2006) average. DRA argues it used the formula the  
11 Commission used in the prior proceeding to determine the SAIFI target.”<sup>14</sup>  
12 The targets are applicable to 2008.
  - 13 b. D.08-07-046 states: “We will adopt a balanced reward/penalty, using our  
14 prior formula ... and we will adopt the DRA target of 0.61 outages ...  
15 because it reflects the more recent data ....”<sup>15</sup>
  - 16 c. Similar comments in D.08-07-046 are made regarding SAIDI.<sup>16</sup>
  - 17 d. Data from 2009-2013 was used in D.13-05-010 because it was the most  
18 recently available five years of data.
  - 19 e. The PFM states that the Worst Circuit indices will use the most recent five  
20 years of data.<sup>17</sup>
- 21 3. The first year of a PBR/GRC cycle would use the rounded average of the most recent  
22 five years of data. The numerical rounding would match the significant digits of the  
23 index increment. For SAIDI the increment is 1 minute, and for SAIFI the increment  
24 is .01 outages. Therefore the benchmark would be rounded to an integer for SAIDI,  
25 and to two decimal places for SAIFI.
  - 26 a. Previous GRCs utilized a “stretch factor” that was applied when  
27 calculating the benchmark. The PFM modified this with the text “The

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<sup>14</sup> D.08-07-046 at 68.

<sup>15</sup> *Id.* at 69.

<sup>16</sup> *Id.* at 64.

<sup>17</sup> PFM at 6.



1 initial 'stretch' factor has been removed, because duplicative annual  
2 improvement factors have been retained at reduced levels.”<sup>18</sup>

3 4. Subsequent years within a particular PBR/GRC cycle would be decremented by the  
4 annual improvement factor (1% annually), applying the same rounding principles  
5 described above.

6 a. From PFM: “The application of the Annual Improvement will begin in the  
7 second year of a PBR period. When applicable, benchmarks after the first  
8 year will be calculated by decrementing the improvement factor from the  
9 value of the original five year average, for each year into the PBR  
10 period.”<sup>19</sup>

### 11 **Calculating the Benchmarks for the Performance Incentives**

12 Because the year 2016 is a new GRC cycle - and therefore a new PBR cycle - new  
13 benchmarks are determined. Per the ordered and agreed upon methodologies above, the data to  
14 be used for the 2016 GRC would be taken from the five most recent years of available data;  
15 namely the years 2010 through 2014. The data for year 2015 will not be completed until March  
16 1st of 2016; therefore year 2015 data is inappropriate to be used for a 2016 benchmark that  
17 should be defined at the beginning of year 2016.

18 Consequently the benchmark for 2016 will be the rounded average of SAIDI and SAIFI  
19 for the years 2010 through 2014. The benchmarks for years after 2016 - until the end of the  
20 GRC term - will be decremented per the annual improvement factor.

## 21 **II. REBUTTAL TO PARTIES' PROPOSALS**

### 22 **A. CUE**

23 SDG&E believes that the first three of CUE's opposing positions, as listed in section IA  
24 above, are due to their interpretation of a PBR cycle. In the PFM the term “PBR period” is used  
25 to discuss the period of time that the PBR is in place. It appears that CUE believes the PBR  
26 period would continue from 2015 to 2018. SDG&E does not agree. SDG&E believes that the  
27 PBR that was ordered in D13-05-010 only exists within the framework of the timing of D.13-05-  
28 010 itself; following the precedent of previous PBRs, the incentive mechanism lasts only as long  
29 as the final attrition year in the GRC cycle, which for the current rate case cycle is 2015.

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<sup>18</sup> PFM at 6.

<sup>19</sup> PFM at 5.

1 The notion of resetting targets, and resetting annual improvement factors, was discussed  
2 in negotiations with CUE. SDG&E believed there was agreement that targets will be reset in  
3 conformance to an understood mechanism. Because the GRC has been that historic mechanism  
4 to reset the PBR, and because the PFM does not mention a specific length of time of  
5 implementation, SDG&E believed the next GRC (i.e., the 2016 GRC) would be the time to reset.  
6 SDG&E would not have included the PBR section of Mr. Woldemariam's GRC testimony if it  
7 believed the previous PBR would have continued into the overlapping time period of the 2016  
8 GRC.

9 **B. UCAN**

10 UCAN argues that SDG&E's proposed benchmarks were not calculated properly based  
11 on the years used to create the benchmark, and that they are inconsistent with D.14-09-005.  
12 SDG&E's benchmarks were created in the exact manner as was described in the PFM, using the  
13 methodologies described above in the section titled "The PFM and the PBR Framework."  
14 UCAN appears to believe that a different set of years be used, which is inconsistent with  
15 Commission decisions. Specifically, the previous decision used the most recent available five  
16 years of data, which for the 2016 GRC would be years 2010 through 2014.

17 UCAN argues that SDG&E is "lowering the bar for reliability benchmarks." Firstly, the  
18 benchmark is determined by a set of rules that do not consider previous benchmarks. Rather, it  
19 is determined by previous results. Secondly, the reason that the SAIDI benchmark edged up  
20 slightly is likely due to SDG&E's heightened focus on public safety.

21 SDG&E's PBR proposals follow the methodology established by the Commission that  
22 determines benchmarks in a specified fashion, as outlined above. The benchmarks are set so that  
23 recent previous history is used for comparison purposes. This means that the utility can only  
24 receive a reward if it achieves a better result than recent history minus the amount of the dead-  
25 band and minus any applicable Annual Improvement factors. In other words, for SAIDI, the  
26 utility would need to have a result of 2 minutes less than recent history to receive an award. A  
27 PBR with this structure encourages utilities to continuously improve their results.

28 Using the most recent five years of data is important, because it is a relevant time frame  
29 useful for comparisons. SDG&E has made operational adjustments since 2008 for the purposes  
30 of public safety. The operational change that affects electric reliability the greatest is SDG&E  
31 turning off reclosing in its Fire Threat Zone during fire prone conditions. The impact to

1 reliability due to this safety-first approach is that, when reclosers are off, momentary outages  
2 become sustained outages. Therefore, SAIDI and SAIFI will rise when reclosers are off, if all  
3 else is held the same. A benchmark based on recent data allows SDG&E to be judged against its  
4 recent operational environment of heightened fire safety.

5 UCAN's argues that the 1% Annual Improvement factor be applied for the year 2016.  
6 This approach is inconsistent with the accepted methodologies. The Annual Improvement factor  
7 only begins in the second year of a PBR/GRC cycle. Because the PBR/GRC cycle is beginning  
8 in 2016, the first year of implementation of the Annual Improvement factor would be in 2017.

### 9 **III. COMMENTS ON SDG&E RELIABILITY**

10 SDG&E's reliability record is among the best in the nation. In 2010 and 2014, SDG&E  
11 received the ReliabilityOne National Reliability Excellence Award.<sup>20</sup> Furthermore, SDG&E has  
12 won the PA Consulting award for "Outstanding Reliability Performance" for the West Region  
13 over the past nine years. SDG&E's SAIDI and SAIFI results are consistently among the nation's  
14 leaders.

15 Even though SDG&E's SAIDI results have gone up and down in the past few years, the  
16 SAIDI results have been among the best in the industry throughout the period. It is well known  
17 that reliability results are volatile from year to year. Over the past 30 years, there has been an  
18 average of a +/- 15% change in SAIDI from one year to the next. It is difficult to determine the  
19 exact reasons for this volatility, and the existence of volatility is not evidence that a utility is  
20 having reliability issues. Any attempt to identify an individual year as being good or bad should  
21 be considered within the context of volatility. Appropriate considerations should instead be  
22 made regarding the long term trend of the results, and any known reasons why the results would  
23 trend higher or lower.

24 Regarding SDG&E reliability in the context of the utility's fire safety programs, recent  
25 results are very successful. SDG&E's fire safety programs were escalated following the 2007  
26 fires. The average SAIDI during the 5 years leading up to 2007 (years 2003 through 2007) was

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<sup>20</sup> The ReliabilityOne™ National Reliability Excellence Award is given to the regional award recipient that has demonstrated sustained leadership, innovation and achievement in the area of electric reliability. The selection criteria for the ReliabilityOne™ National Reliability Excellence Award are both quantitative and qualitative including: superior regional performance, sustained performance over time, improved performance over time, leadership in outage data collection and reporting systems, processes, procedures and controls, organizational and cultural focus on reliability, communication, planning, preparation, and response to major outage events contributions to regional system security and reliability.

1 66.01 minutes. The worst result SDG&E has had since 2007 was 64.6 minutes. Together, this  
2 data shows that even though SDG&E has put in place many fire prevention programs, which  
3 have negative effects on reliability (e.g. turning off reclosers), the reliability results are still  
4 better than before the 2007 fires. In short, SDG&E has been able to focus on both fire safety and  
5 reliability since 2007.

#### 6 **IV. CONCLUSION**

7 To summarize, because SDG&E believes the timing of the GRC and PBR are necessarily  
8 synchronous, the PBR as proposed in Mr. Woldemariam's direct testimony is a new PBR cycle  
9 that coincides with the new GRC cycle. Having the timing of the utility's funding mechanism  
10 match the incentive mechanism is appropriate and allows the utility to strategize and consider  
11 how best to spend its funds.

12 The targets and other PBR specifications that SDG&E presented in its testimony follow  
13 the methodologies accepted by the Commission. Benchmarks set in this fashion will only give a  
14 reward when the utility has better performance than recent history, therefore the PBR will  
15 encourage continuous improvement.

16 SDG&E's electric reliability is excellent, especially when considered in the context of  
17 SDG&E's fire preparedness programs that add pressures to electric reliability results. Because  
18 SDG&E is the current holder of the ReliabilityOne National Reliability Excellence Award, it is  
19 incorrect for observers to claim that SDG&E's reliability is anything other than stellar.

20 This concludes my prepared rebuttal testimony.

1 **V. WITNESS QUALIFICATIONS**

2 My name is Mason Withers. I am employed by San Diego Gas & Electric Company  
3 (“SDG&E”). My business address is 8316 Century Park Court, San Diego, CA 92123. Since  
4 April 2013, I have been the Electric Analysis and Solutions Manager where I oversee Electric  
5 Reliability reporting, analysis, and capital projects. During this time I assisted in developing the  
6 PBR for the 2012 GRC. I started my career with SDG&E in June 2006. During this time I have  
7 held various analytical and leadership positions.

8 Before joining SDG&E, I worked for the University of California, San Diego and The  
9 Salk Institute for Biological Studies. I hold a bachelor’s degree in Mathematics from the  
10 University of California, San Diego. I also hold a Master’s of Business Administration from San  
11 Diego State University.

12 I am currently testifying in another proceeding before the Commission.

## Attachment A



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August 29, 2008

Mr. Paul Clanon  
Executive Director  
California Public Utilities Commission  
505 Van Ness Avenue – Room 5223  
San Francisco, CA 94102

Dear Mr. Clanon,

On July 31, 2008, the Commission issued Decision No. (D.) 08-07-046 in San Diego Gas & Electric Company's (SDG&E) Application (A.) 06-12-009, a general rate case (GRC) application, and Southern California Gas Company's (SoCalGas) A.06-12-010, also a GRC application.

Ordering Paragraph (OP) 16 of D.08-07-046 directs that "SDG&E and SoCalGas shall affirmatively accept or decline each adopted incentive mechanism, for the duration of this rate cycle, within 30 days of the effective date of this decision, by letter to the Executive Director, with a copy served on the parties." These adopted incentive mechanisms are contained in OP 17 and OP 18 for SDG&E and SoCalGas respectively.

By this letter, SoCalGas and SDG&E each respectfully decline the adopted incentive mechanisms for Customer Satisfaction ("CS"), and SDG&E respectfully declines the adopted incentive mechanism for Electric Reliability ("ER"). SoCalGas and SDG&E each accept the adopted incentive mechanisms for Employee Safety.

It is with great regret that SoCalGas and SDG&E decline the CS and ER performance incentive mechanisms. Such mechanisms have been in place at each company for many years, and SoCalGas and SDG&E believe they have been successful mechanisms. In the 2008 GRC, SoCalGas and SDG&E proposed well-calibrated and balanced CS and ER incentive mechanisms that provided a symmetrical reward/penalty framework.

There are a number of reasons that SoCalGas and SDG&E have made the difficult decision to reject the adopted CS and ER performance incentive mechanisms. First, the final GRC decision adopts targets much more difficult to achieve than those proposed by SoCalGas and SDG&E, yet provides no additional funding by which to achieve those targets. Funding could have been made available for this purpose by providing SoCalGas a higher reward potential (as requested), but the final GRC decision fails to adopt this proposal as well. Second, the final GRC decision adopts "Annual Improvement Factors" that ratchet up the targets each year the mechanism is in place, again without consideration of additional funding to achieve these increasingly difficult targets (and apparently without consideration of whether such reductions are even possible to achieve). Third, with regard to the SDG&E ER performance incentive mechanism, operational changes related to fire prevention being contemplated by SDG&E



would no longer be consistent with the adopted ER mechanism without expanding the definition of certain excludable events. SDG&E may seek authority in the future to adopt the ER mechanism if the definition of excludable events can be expanded consistent with the operational changes being considered by SDG&E.

### **Performance Incentive Targets**

The final GRC decision generally adopts the most difficult performance incentive targets proposed by any intervenor for CS and ER, yet it does so without consideration of how these targets are to be achieved. The implicit assumption in the final GRC decision is that improvements to CS or ER results beyond those proposed by the utilities are cost-free. In fact, the opposite is true. Continuous improvement in the CS and ER results become more expensive as the difficulty level of annual targets is increased. The net effect of more difficult targets with no increase in funding or potential rewards to achieve them is to drive the incentive mechanisms to penalty-only mechanisms – an outcome internally inconsistent with the stated goals of the final GRC decision. Further, the final GRC decision ignored SDG&E's comments and adopted a target for SAIFI that is calculated in error and produces a result that is explicitly at odds with what the final GRC decision purports to adopt.

### **Annual Improvement Factors**

On top of adopting harder incentive mechanism targets, the final GRC decision also adopts annual improvement factors that annually increase the difficulty of the incentive mechanism targets beyond the adopted 2008 level. Such a concept was proposed by the California Coalition for Utility Employees ("CCUE") for the SAIDI and SAIFI performance indicators and was proposed by SDG&E and CCUE as part of their Employee Safety settlement. In filed comments, SDG&E noted that the rationale used by CCUE was warranted as a result of changes related to the Utility of the Future program, but significantly flawed because such potential improvements would occur well after the end of this GRC term. Further, SDG&E noted that use of declining annual targets in the SDG&E-CCUE Employee Safety settlement is a logical outcome of the AMI rollout in SDG&E's service territory since it should result in improvements in employee safety results over time.

However, without logical justification or a proposal by any party to do so, the final GRC decision adopts annual improvement factors for each and every performance indicator proposed by the utilities. And, as with the adoption of increasingly difficult performance incentive targets, the final GRC decision adopts annual improvement factors without also providing increased levels of funding to achieve these targets. The annual improvement factors chosen were arbitrary, not based upon any record evidence in the GRC proceeding and not consistent with the operational challenges facing the utilities. Further, the application of the annual improvement factors in one case (CS – Field Visit Satisfaction) results in a target that is mathematically impossible to achieve. Such a mechanism is unreasonable, unfair, unbalanced and results in asymmetrical rewards/penalties.

### **Operational Changes**

Almost one year ago, SDG&E filed a petition requesting that the Commission open an OIR to consider possible new or revised disaster management rules and procedures for electric utilities in the wake of the October 2007 wildfires in Southern California. This OIR would develop on a statewide basis possible new rules and standards that might be necessary to mitigate risks related to fires in the future. The Commission denied SDG&E's Petition without prejudice, and indicated that after the Consumer Protection and Safety Division issues its fire investigation



report that the OIR request may be renewed. During the interim, SDG&E is considering options for operational changes related to fire prevention in its service territory, particularly during seasonal periods of elevated fire risk. Certain of the operational changes being considered could significantly impact the SAIDI, SAIFI and SAIDET performance indicator results and SDG&E's ability to achieve target levels of performance as adopted by the GRC decision. As you may be aware, SDG&E intends to re-file its request to open the OIR at the appropriate time and will likely seek in that proceeding to have its operational changes treated as excludable events for purposes of measuring SAIDI, SAIFI and SAIDET performance and to have the Commission correct the error in the SAIFI target calculation described above.

In conclusion, SoCalGas and SDG&E want the Commission to know that they remain committed to the concept of performance incentives. The utilities had hoped to find a way to reconcile the adopted CS and ER performance incentive mechanisms in the final GRC decision with operational realities. Unfortunately, this could not be accomplished. For any performance incentive mechanism to be successful it must be properly calibrated, appropriately funded, be well-balanced and result in symmetrical reward/penalty mechanisms. The adopted performance incentive mechanisms for CS and ER fail all of these tests. Regardless of the decision to reject the CS and ER performance incentive mechanisms, SoCalGas and SDG&E remain committed to providing quality customer service and maintaining a high level of electric reliability consistent with our customers' expectations.

Sincerely,



Lee Schavrien  
Senior Vice President  
Regulatory Affairs

cc: President Michael R. Peevey  
Commissioner John Bohn  
Commissioner Rachelle Chong  
Commissioner Dian Grueneich  
Commissioner Timothy Simon  
Dan Skopec  
Service List A.06-12-009/A.06-12-010

## **Attachment B**



**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

**FILED**

6-06-14  
04:59 PM

Application of San Diego Gas & Electric Company (U902M) for Authority, Among Other Things, to Increase Rates and Charges for Electric and Gas Service Effective on January 1, 2012.

Application No. 10-12-005  
(Filed December 15, 2010)

Application of Southern California Gas Company (U904G) for authority to update its gas revenue requirement and base rates effective on January 1, 2012.

Application No. 10-12-006  
(Filed December 15, 2010)

**JOINT PETITION OF SAN DIEGO GAS & ELECTRIC COMPANY (U 902E) AND  
COALITION OF CALIFORNIA UTILITY EMPLOYEES FOR MODIFICATION OF  
ELECTRIC RELIABILITY STANDARDS IN ORDERING PARAGRAPH 9  
OF D.13-05-010**

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June 6, 2014

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OF THE STATE OF CALIFORNIA**

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ELECTRIC RELIABILITY STANDARDS IN ORDERING PARAGRAPH 9  
OF D.13-05-010**

Pursuant to Rule 16.4 of the Rules of Practice and Procedure of the California Public Utilities Commission (Commission), San Diego Gas & Electric Company (SDG&E) and Coalition of California Utility Employees (CCUE) petition the Commission to modify the design requirements for SDG&E's reliability incentive mechanisms of Ordering Paragraph (OP) 9 of Decision (D.) 13-05-010.<sup>1</sup> SDG&E's overall reliability is better than many utilities, but more importantly, is not evenly distributed among its customers. In its current form, OP 9 would fall short of creating the most effective incentives to address SDG&E's specific reliability profile. OP 9 adopted D.08-07-046's reliability performance incentives which were based on information now nearly a decade old. SDG&E, which has comparatively good reliability overall, has worked with CCUE to design more precisely targeted incentives based on SDG&E's specific reliability profile and most current reliability data. Accordingly, this Petition proposes an alternative

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<sup>1</sup> This Joint Petition is filed slightly over one year after the effective date of D.13-05-010, which was issued on May 14, 2013. In accordance with Rule 16.4(d), SDG&E originally filed a version of this Petition within one year of the effective date of D.13-05-010, but asked for additional time to resolve its differences with CCUE (which protested the original PFM) and thus allow the filing of this Joint Petition. SDG&E and CCUE do not believe that any party was unduly affected by the short delay or the fact that this petition is being filed just over one year after D.13-05-010.

performance-based ratemaking (PBR) mechanism, formed through a partnership between SDG&E and CCUE, which is consistent with the intent of OP 9, while taking into account the particular nature of electric reliability at SDG&E. This proposed reliability mechanism is modified from that requested in SDG&E's Advice Letter (AL) 2518-E, filed in compliance with OP 9, on September 6, 2013.<sup>2</sup> The reliability indicators included in this proposal differ from OP 9 in some key areas; however, the intent is the same, to ensure that SDG&E continues to seek ways to improve reliability for all of its customers. In light of the cooperation between SDG&E and CCUE, in accordance with the principles of PBR, SDG&E and CCUE request Administrative Law Judge (ALJ) Wong and the Commission to adopt the proposed reliability mechanisms as reasonable and in the public interest.<sup>3</sup>

## **I. BACKGROUND**

D.13-05-010 ordered SDG&E to propose reliability performance incentives consistent with D.08-07-046, as follows:

San Diego Gas & Electric Company is directed to file a Tier 3 advice letter within 90 days of the effective date of this decision, proposing a set of reliability performance incentives consistent with what was adopted in D.08-07-046, updating the targets that would have been in effect in 2010.

- a. The advice letter shall include at a minimum the system average interruption duration index (SAIDI), system average interruption duration exceeding threshold (SAIDET), and system average interruption frequency index (SAIFI) with proposed targets, deadbands, increments, rewards, penalties and maximum amounts, and annual improvement measures for each index.<sup>4</sup>

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<sup>2</sup> See AL 2518-E at p. 3 (attached hereto as Attachment A). AL 2518-E was timely filed pursuant to an August 6, 2013 extension grant. See *id.* at p. 3 and fn.1.

<sup>3</sup> In the alternative, D.13-05-010 should be clarified to state that SDG&E may accept or decline OP 9's mechanism, just as D.08-07-046 allowed.

<sup>4</sup> D.13-05-010 at p. 1102, OP 9.

D.08-07-046 adopted reliability performance incentives for SAIDI, SAIDET, and SAIFI for the period 2008-2012. Unlike OP 9, D.08-07-046 gave SDG&E the ability to accept or decline the mechanism, as follows: “SDG&E and SoCalGas shall affirmatively accept or decline each adopted incentive mechanism, for the duration of this rate cycle, within 30 days of the effective date of this decision, by letter to the Executive Director, with a copy served on the parties.”<sup>5</sup> In 2008, SDG&E exercised its option under D.08-07-046 to reject the reliability incentive mechanism due to its difficult-to-achieve targets and aggressive “Annual Improvement Factors,” as SDG&E described in its August 29, 2008, compliance letter to the Executive Director.<sup>6</sup>

In compliance with OP 9, SDG&E filed AL 2518-E on September 6, 2013, which provided the information required by OP 9 and additionally proposed an alternative reliability mechanism that is consistent with the intent of OP 9, but more specifically tailored for SDG&E. On February 13, 2014, Energy Division stated that to advance the reliability mechanism proposal, SDG&E could file a petition for modification (PFM) or propose it in SDG&E’s next General Rate Case (GRC). On April 25, 2014, ALJ Wong allowed for extra time wherein SDG&E and CCUE could find a common agreement to the structure of an Electric Reliability PBR.

## **II. BASIS FOR MODIFICATION**

OP 9 should be modified to recognize that, due to significant system-wide reliability improvements, SDG&E is on an overall basis one of the most reliably performing utilities in the country. The alternative reliability mechanism proposed by CCUE and SDG&E looks at

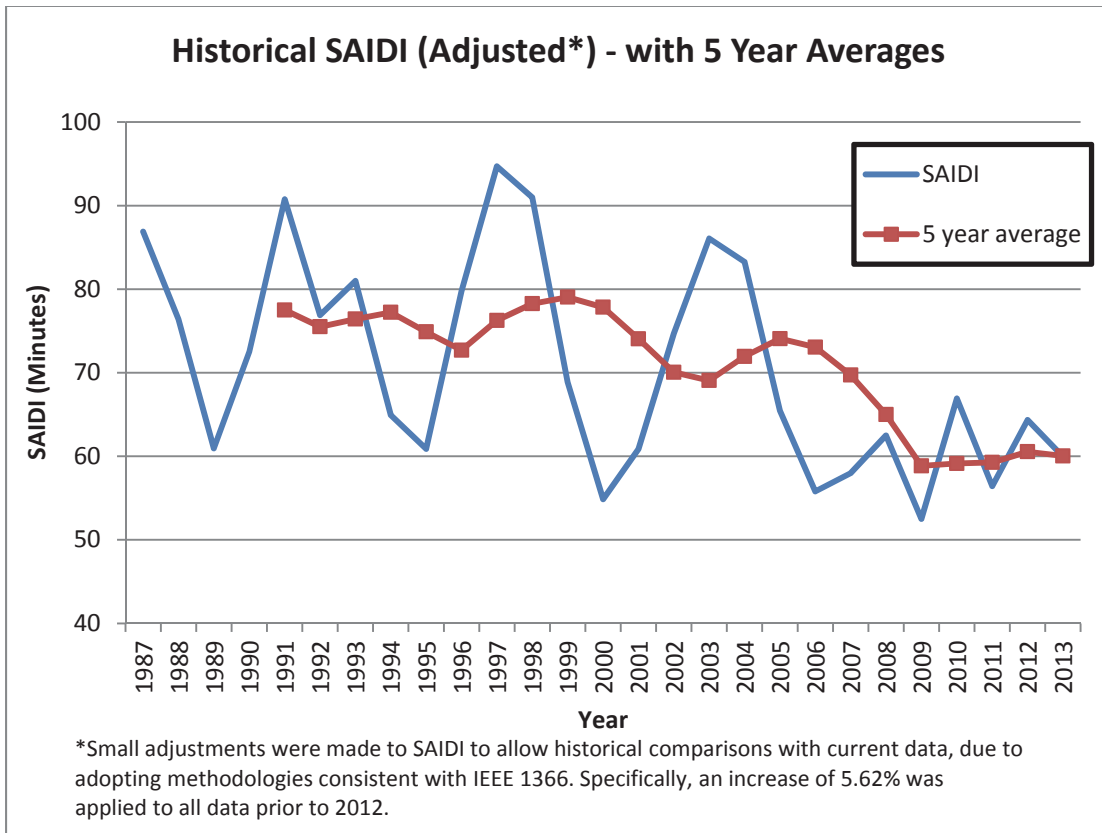
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<sup>5</sup> D.08-07-046 at p. 105, OP 16.

<sup>6</sup> August 29, 2008 Correspondence from Mr. Lee Schavrien to Mr. Paul Clanon, Appendix B to Attachment A.

reliability differently by using a combination of indices that balance between maintaining excellent overall reliability, while focusing on specific areas of SDG&E’s service territory that have lagged behind system averages for reliability.

The chart below shows that SDG&E has been very successful in driving down its overall system SAIDI and SAIFI. SDG&E’s SAIDI and SAIFI are significantly lower than other California utilities. Note that SDG&E’s 5-year average for SAIDI has dropped from near 80 minutes in 1999 to its current level near 60 minutes. SDG&E has succeeded in maintaining SAIDI at 60 minutes +/- 8 minutes for 9 consecutive years. This means that the average customer experiences only about one hour of outage time per year. SDG&E’s SAIFI index of 0.5 means the average customer experiences an outage only once in two years.





However, SDG&E does not serve the average customer – SDG&E serves every customer; and outages are not shared equally among our customers. In fact, there is a very large disparity in the outage time and frequency experienced by SDG&E’s customers. Addressing this disparity is thus an appropriate means of addressing SDG&E’s reliability program in the future.

The alternative reliability mechanism proposed in this Petition addresses this disparity while still maintaining incentives for overall system-level reliability. It maintains incentives on system-wide measures, and introduces two new measures based on improving reliability in those areas that need it the most.

### **III. PROPOSED MODIFICATION**

Although largely similar, SDG&E and CCUE’s proposed modifications differ from OP 9 in the following ways<sup>7</sup>:

1. Annual Improvement Factors have been reduced but not eliminated. SDG&E and CCUE propose a 1% improvement factor that takes into account SDG&E’s relatively good reliability and safety history, as well as a need for continued improvement. The application of the Annual Improvement will begin in the second year of a PBR period. When applicable, benchmarks after the first year will be calculated by decrementing the improvement factor from the value of the original five year average, for each year into the PBR period.

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<sup>7</sup> The following is a discussion on the types of outages that SDG&E reports and excludes in specific situations. For the CPUC Annual Report, SDG&E reports two sets of reliability data – a complete set of unplanned, primary outages; and a set of unplanned, primary outages applying the IEEE 1366 exclusion criteria. For the purposes of the Electric PBR, SDG&E and CCUE propose that, in addition to IEEE 1366 exclusions, two modifications to exclusions occur. Firstly, for Worst Circuit SAIDI and Worst Circuit SAIFI exclude outages caused by fire. Secondly, for all indices exclude outages caused by safety shutoff. The safe and effective operation of SDG&E’s electric system cannot be compromised by attempts to meet a reliability performance standard. Pursuant to SDG&E’s statutory obligation for safe operations, SDG&E will de-energize circuits for safety in rare situations when appropriate.

2. The initial “stretch” factor has been removed, because duplicative annual improvement factors have been retained at reduced levels.
3. SAIDET will remain, but as a report-only index.
4. Two new indices (Worst Circuit SAIDI and Worst Circuit SAIFI) are added that focus on improving the system’s worst performing circuits. Although SDG&E’s overall system reliability is relatively good, these indices will address segments of its service territory where reliability could be improved. These indices would improve portions of SDG&E’s service territories with lower customer density levels, thus spreading improved reliability across the service territory.
5. Penalty and Reward amounts have been updated for SAIDI and SAIFI, with proposed higher penalty/reward per increment (see Table 3 below).

Under the proposed “worst circuit” index, two lists of the ten worst performing circuits would be generated – one reflecting SAIDI data and one reflecting SAIFI data. For these indices, only circuits with 100 customers or more will be considered.

The most recent available five years of data would be used to calculate the Worst Circuit indices. The targets for Worst Circuit SAIDI and Worst Circuit SAIFI indices will be based on the customer-weighted average for the 10 worst circuits. To ensure a fair and non-biased benchmark, a *historical improvement factor* has been calculated. To calculate the historical

improvement factor, data from the previous 10 years worst circuits was analyzed to determine the average amount of improvement.<sup>8</sup> The calculated historical improvement factor for Worst Circuit SAIDI is 15%. The calculated historical improvement factor for Worst Circuit SAIFI is 3%. Thus, the Worst Circuit SAIDI and Worst Circuit SAIFI benchmarks will be set by determining the customer-weighted average of the worst 10 circuits, then reducing that value by the historical improvement factor.

Tables 1 and 2 below show an example of how the benchmark for Worst Circuit SAIDI would be calculated for hypothetical circuits labeled A through J:

**Table 1: Example of Calculating the Customer-weighted Average for Worst Circuit SAIDI**

Circuit ID (hypothetical)	Customer Minutes over the 5 Year Period (due to outages on that circuit)	Circuit Customers	Circuit SAIDI (Customer Minutes / Circuit Customers / 5 years)
A	15,000,000	1,000	3,000 (=15,000,000/1,000/5)
B	5,000,000	1,200	833
C	2,800,000	700	800
...			
J	10,000,000	4,000	500
<b>Total of 10 Circuits</b>	<b>80,000,000 (sum of column)</b>	<b>20,000 (sum of column)</b>	<b>800 (=80,000,000/20,000/5)</b>

<sup>8</sup> The following describes in more detail the procedure for calculating the historical improvement factor. (Note that due to the availability of reliability data – which is not finalized until the following February - a one year gap resides between the 5 year average and the target year. For example, the benchmark for 2015 is set using the data from the 5 years between 2009 and 2013.) SDG&E reviewed the 10 most recent “sets” of available data – where a “set” of data is the 5 year average of the 10 worst circuits and the resulting reliability values the following year. The most recent reliability data is for year 2013. The data used to calculate the 5-year average associated to year 2013, are from the years 2007-2011. The ten worst circuits during 2007-2011 were determined, and then the reliability results from 2013 were compared for those same circuits. SDG&E performed this comparison for the last 10 years (i.e. for the resulting years between 2004 and 2013), and took the average difference for the 10 years. The resulting number is the historical improvement factor. This procedure applies to both Worst Circuit SAIDI and Worst Circuit SAIFI.

**Table 2: Example of Calculating the Benchmark for Worst Circuit SAIDI**

Customer-Weighted Average for Worst Circuit SAIDI	Historical Improvement Factor	Benchmark (Rounded to nearest increment)
800 minutes	15%	680 minutes

In the example above, the Worst Circuit SAIDI benchmark used would be 680 minutes. SDG&E would then tabulate the following year’s Circuit SAIDI for those same 10 circuits (A through J), calculate the Worst Circuit SAIDI value for that year, and compare it to the previously established benchmark value of 680 minutes.

CCUE and SDG&E propose adopting a penalty/reward structure for Worst Circuit SAIDI and Worst Circuit SAIFI similar to system SAIDI and system SAIFI; with the usage of increments, deadbands, and defined levels of maximum penalty/reward, etc. It is important that the penalty and reward is balanced, with the equal possibility to achieve a penalty or reward. The proposal for Worst Circuit SAIDI is an increment of 10 minutes, a deadband of 35 minutes, a payout per increment of \$125,000, and a maximum penalty/reward of \$1 million. The proposal for Worst Circuit SAIFI is an increment of 0.10 outages, a deadband of 0.35 outages, a reward or penalty per increment of \$125,000, and a maximum penalty/reward of \$1 million.

Additionally, the proposal asks for the penalty/reward per increment for SAIDI and SAIFI to increase from \$250,000/increment to \$375,000/increment, with a maximum penalty/reward of \$3,000,000 for both indices.

Table 3 below displays all proposed values:

**Table 3. Proposed PBR Index Values**

<b>SAIDI (minutes)</b>	<b>CUE and SDG&amp;E Joint Proposal</b>
2015 Benchmark	60
Dead Band	+/- 2
Increment	1
Annual Improvement	1%
Reward Incr.	\$375,000
Penalty Incr.	\$375,000
Maximum	\$3,000,000

<b>SAIFI (outages)</b>	<b>CUE and SDG&amp;E Joint Proposal</b>
2015 Benchmark	0.51
Dead Band	+/- 0.02
Increment	0.01
Annual Improvement	1%
Reward Incr.	\$375,000
Penalty Incr.	\$375,000
Maximum	\$3,000,000

<b>SAIDET (minutes)</b>	<b>CUE and SDG&amp;E Joint Proposal</b>
2015 Benchmark	Report
Dead Band	
Increment	
Annual Improvement	
Reward Incr.	
Penalty Incr.	
Maximum	

<b>Worst Circuit SAIDI (minutes)</b>	<b>CUE and SDG&amp;E Joint Proposal</b>
2015 Target	585
Dead Band	+/- 35
Increment	10
Reward Incr.	\$125,000

Penalty Incr.	\$125,000
Maximum	\$1,000,000

Worst Circuit SAIFI (outages)	CUE and SDG&E Joint Proposal
2015 Target	4.40
Dead Band	+/- 0.35
Increment	0.10
Reward Incr.	\$125,000
Penalty Incr.	\$125,000
Maximum	\$1,000,000

#### IV. SPECIFIC WORDING CHANGES TO D.13-05-010

SDG&E and CCUE's proposed specific changes to D.13-05-010 are described below and in redline detail in Appendix A:

Text of Decision at p. 207

Because the performance incentives developed for SCE are not appropriate for SDG&E, we conclude that it is reasonable to adopt reliability performance incentives consistent with those described in SDG&E's primary proposal in Advice Letter 2518-E, in SDG&E's Petition to Modify Decision 13-05-010, dated March 17, 2014, and ultimately in the Joint SDG&E/CCUE Petition dated June 5, 2014. SDG&E is directed to file a Tier 3 advice letter within 90 days of the effective date of this decision, proposing a set of reliability performance incentives consistent with what was described in SDG&E's primary proposal in Advice Letter 2518-E, in SDG&E's Petition to Modify Decision 13-05-010, dated March 17, 2014, and in the Joint SDG&E/CCUE Petition dated June 5, 2014. The advice letter should include SAIDI, Worst Circuit SAIDI, SAIFI, and Worst Circuit SAIFI indices with proposed targets, deadbands, increments, rewards, penalties and maximum amounts, and annual improvement measures for each.

### Finding of Fact

65. It is reasonable to require SDG&E to implement reliability performance incentives consistent with those described in SDG&E's primary proposal in Advice Letter 2518-E, in SDG&E's Petition to Modify Decision 13-05-010, dated March 17, 2014, and in the Joint SDG&E/CCUE Petition dated June 5, 2014.

### Conclusion of Law

14. SDG&E should file a Tier 3 AL within 90 days of the effective date of this decision, proposing a set of reliability performance incentives consistent with what was described in SDG&E's primary proposal in Advice Letter 2518-E, in SDG&E's Petition to Modify Decision 13-05-010, dated March 17, 2014, and in the Joint SDG&E/CCUE Petition dated June 5, 2014.

### Ordering Paragraph 9

9. San Diego Gas & Electric Company is directed to file a Tier 3 advice letter within 30 days of the effective date of this decision, proposing a set of reliability performance incentives consistent with what was described in SDG&E's Petition to Modify Decision 13-05-010, dated March 17, 2014 (including attachments, specifically SDG&E Advice Letter 2518-E, and SDG&E's primary proposal for reliability indicators as set forth therein, and in the Joint SDG&E/CCUE Petition dated June 5, 2014.

- a. The advice letter shall include system average interruption duration index (SAIDI), Worst Circuit SAIDI, system average interruption frequency index (SAIFI), and Worst Circuit SAIFI with proposed targets, deadbands, increments, rewards, penalties and maximum amounts, and annual improvement measures for each index.

**V. CONCLUSION**

For the reasons set forth above, SDG&E and CCUE respectfully requests that the Commission expeditiously grant this Joint Petition to modify OP 9 of D.13-05-010. Implementing SDG&E’s “worst circuit” indices described herein will allow SDG&E to improve reliability in areas that have the greatest need. Acceptance of the new indices will provide more uniform reliability while continuing the overall high level of reliability enjoyed by SDG&E’s customers.

SDG&E has been authorized to sign this pleading on CCUE’s behalf.

Respectfully submitted,

By: /s/ Marc D. Joseph  
Marc. D. Joseph

By: /s/ Keith W. Melville  
Keith W. Melville

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June 6, 2014



## APPENDIX A

### **SDG&E's Proposed Changes to Text of D.13-05-010, Findings of Fact, Conclusions of Law and Ordering Paragraphs**

#### Text of Decision at p. 207

Because we agree with SDG&E that the performance incentives developed for SCE are not appropriate for SDG&E, we decline to adopt CCUE's alternate recommendation. We conclude that it is reasonable to adopt ~~CCUE's recommendation to implement the performance incentives previously developed for SDG&E in D.08-07-046.~~ reliability performance incentives consistent with those described in SDG&E's primary proposal in Advice Letter 2518-E to [and in SDG&E's Petition to Modify Decision 13-05-010, dated March 17, 2014]. SDG&E is directed to file a Tier 3 advice letter within 90 days of the effective date of this decision, proposing a set of reliability performance incentives consistent with what was ~~adopted in D.08-07-046, updating the targets that would have been in effect in 2010.~~ described in SDG&E's primary proposal in Advice Letter 2518-E to [and in SDG&E's Petition to Modify Decision 13-05-010, dated March 17, 2014]. The advice letter should include at a minimum the SAIDI, SAIDET, SAIFI indices with proposed targets, deadbands, increments, rewards, penalties and maximum amounts, and annual improvement measures for each.

#### Finding of Fact

65. It is reasonable to require SDG&E to implement reliability performance incentives consistent with those ~~previously developed in D.08-07-046.~~ described in SDG&E's primary proposal in Advice Letter 2518-E to [and in SDG&E's Petition to Modify Decision 13-05-010, dated March 17, 2014].

#### Conclusion of Law

14. SDG&E should file a Tier 3 AL within 90 days of the effective date of this decision, proposing a set of reliability performance incentives consistent with what was ~~adopted in D.08-07-046, and updating the targets that would have been in effect in 2010.~~ described in SDG&E's primary proposal in Advice Letter 2518-E to [and in SDG&E's Petition to Modify Decision 13-05-010, dated March 17, 2014].

Ordering Paragraph 9

9. San Diego Gas & Electric Company is directed to file a Tier 3 advice letter within ~~90~~30 days of the effective date of this decision, proposing a set of reliability performance incentives consistent with what was ~~adopted in D.08-07-046, updating targets that would have been in effect in 2010.~~ described in SDG&E's Petition to Modify Decision 13-05-010, dated March 17, 2014 (including attachments, specifically SDG&E Advice Letter 2518-E, and SDG&E's primary proposal for reliability indicators as set forth therein).

- a. The advice letter shall include at a minimum the system average interruption duration index (SAIDI), system average interruption duration exceeding threshold (SAIDET), and system average interruption frequency index (SAIFI) with proposed targets, deadbands, increments, rewards, penalties and maximum amounts, and annual improvement measures for each index.

## ATTACHMENTS

- A. Advice Letter 2518-E (includes three appendices)
- Appendix A to AL 2518-E
  - Appendix B to AL 2518-E
  - Appendix C to AL 2518-E



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September 6, 2013

**ADVICE LETTER 2518-E**  
(U 902-E)

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

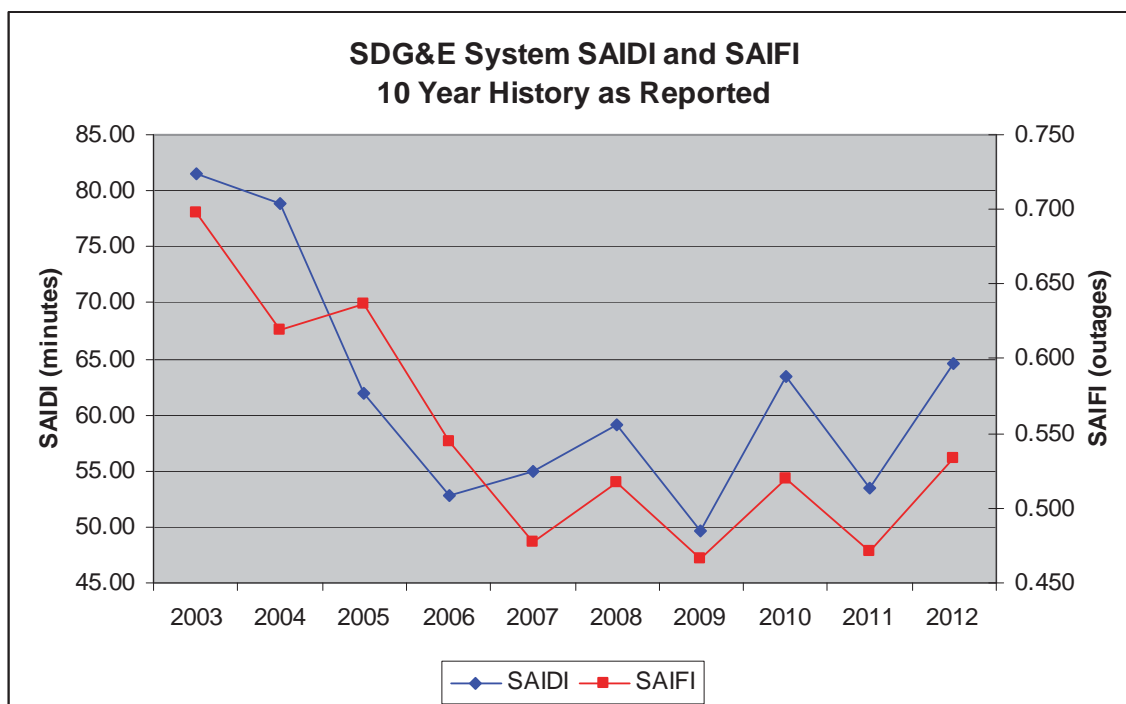
**SUBJECT: PROPOSED RELIABILITY PERFORMANCE INCENTIVES IN COMPLIANCE  
WITH CPUC DECISION (D) 13-05-010 ORDERING PARAGRAPH 9**

**INTRODUCTORY COMMENTS**

**SDG&E, Director - Construction and Operations**

D.13-05-010 orders San Diego Gas & Electric Company (SDG&E) to propose reliability performance incentives consistent with what was adopted five years ago in D.08-07-046. This Advice Letter complies with that order, and it proposes an alternative performance-based ratemaking (PBR) mechanism that is both consistent with the intent of OP9 and appropriate in the context of the excellent state of electric reliability at SDG&E. SDG&E's proposed alternative PBR will serve to improve SDG&E's system reliability without penalizing the best performing utility in the state for its previous reliability improvements and its current excellent performance. OP9 reflects a methodology that would be appropriate for a utility that is striving to be best in class, not for a utility like SDG&E which, by its national recognition over the last 8 years, already is best in class.

SAIDI and SAIFI are measures of *system-wide* reliability. SDG&E cannot recreate the kind of system-wide reliability improvements we have accomplished in the past without spending large amounts of capital. What we can do, with the help of this Commission, is start looking at reliability differently, and that is exactly what SDG&E is proposing in its alternative PBR mechanism.



The chart above shows that SDG&E has been very successful in driving down its overall system SAIDI and SAIFI to nationwide-leader levels. SDG&E's SAIDI score is in the range of 60 minutes; which is significantly lower than other California utilities. This means that the average customer experiences only about one hour of outage time per year. SDG&E's SAIFI score of 0.5 means the average customer experiences an outage only once in two years. As noted above, SAIDI and SAIFI measure the level of service provided to the *average* customer. The problem is SDG&E doesn't serve the *average* customer, we serve *every* customer; and outages are *not* shared equally among our customers. In fact there is a very large disparity in the outage time and frequency experienced by SDG&E's customers. Addressing this disparity is the frontier. This is where SDG&E's reliability program needs to be focused in the future. The trick is to fix that disparity without letting the system-level reliability slip. The alternative PBR mechanism that SDG&E proposes in this Advice Letter accomplishes both goals. It maintains incentives on system-wide measures, and introduces two new measures based on improving reliability in those areas that need it the most.

The Commission should approve the new reliability measures that SDG&E is proposing in its alternative, and to reject the OP9 proposal.

## **PURPOSE**

The primary purpose of this Advice Letter is to comply with Ordering Paragraph 9 (OP9) of D.13-05-010 which directs SDG&E to propose a set of reliability performance incentives consistent with what was adopted in D.08-07-046, updating the targets that would have been in effect in 2010.

D.13-05-010, OP9 states:

*“San Diego Gas & Electric Company is directed to file a Tier 3 advice letter within 90 days of the effective date of this decision, proposing a set of reliability performance incentives consistent with what was adopted in D.08-07-046, updating the targets that would have been in effect in 2010.*

- a. The advice letter shall include at a minimum the system average interruption duration index (SAIDI), system average interruption duration exceeding threshold (SAIDET), and system average interruption frequency index (SAIFI) with proposed targets, deadbands, increments, rewards, penalties and maximum amounts, and annual improvement measures for each index.”*

The secondary purpose of this Advice Letter is to propose an alternative set of reliability performance incentives that SDG&E feels are superior to those that would result from OP9.

It should be noted that SDG&E is not requesting reliability performance incentives at this time. However, if it is the intent of the Commission to adopt reliability performance incentives, SDG&E prefers the incentives described in its alternative to those that would result from OP9, for reasons that will be discussed in this Advice Letter.

On August 5, 2013, SDG&E filed a request for additional time to comply with OP 9 of D.13-05-010 in order to continue discussions with the Coalition of California Utility Employees (CCUE) regarding each entity's interpretation of the Ordering Paragraph<sup>1</sup> (CCUE recommended electric reliability performance incentives during the GRC proceeding). At this time, SDG&E continues to work with CCUE at their request to further refine the current proposal. Any modifications to what is filed herein will be requested via a supplemental Advice Letter filing.

## **BACKGROUND**

D.08-07-046 adopted reliability performance incentives for SAIDI, SAIDET, and SAIFI for the period 2008-2012. SDG&E declined the adopted reliability incentive mechanism due to its difficult-to-achieve targets and aggressive “Annual Improvement Factors”, as discussed in an August 29, 2008 letter from Lee Schavrien to Paul Clanon which is contained in Appendix B hereto. Excerpts from D.08-07-046 (pages 61-62) pertaining to reliability performance incentives for SAIDI, SAIDET, and SAIFI appear below:

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<sup>1</sup> The request was granted by the Executive Director on August 6, 2013.

The following table summarizes the proposed and adopted incentives:

### SDG&E Reliability Performance Incentives<sup>40</sup>

	SDG&E Proposed	Alternatives	Adopted
<b>1. SAIDI - System Average Interruption Duration Index</b>			
Target	77 minutes	DRA - 68 minutes CCUE 68 min. 20008 CCUE 65 min. 2009	68 minutes
Dead Band	0	+/- 2	+/- 2
Increment	1	1	1
Reward Incr.	\$250,000	\$50,000	\$250,000
Penalty Incr.	\$250,000	\$250,000	\$250,000
Maximum	\$2,000,000	\$2,000,000	\$2,000,000
Equalizer	N/A	0.2	None
Annual Improvement		CCUE: 5%	5%
<b>2. SAIDET - System Average Interruption Duration Index Exceeding Threshold</b>			
Target	43 minutes	DRA: 34 minutes CCUE: 31 minutes	34 minutes
Dead Band	0	+/- 2	
Increment	1	1	
Reward Incr.	\$250,000	DRA: \$0 CCUE: \$100,000	\$175,000
Penalty Incr.	\$250,000	DRA: \$0 CCUE: \$100,000	\$175,000
Maximum	\$2,500,000		\$1,750,000
Equalizer	N/A	0.2	None
Annual Improvement			5%
<b>3. SAIFI - System Average Interruption Frequency Index</b>			
Target	0.65 outages	DRA 0.61 outages CCUE 0.56 outages	0.61 outages
Dead Band	0	+/- 0.02	+/- 0.02
Increment	0.01	0.01	0.01
Reward Incr.	\$250,000	DRA: \$50,000 CCUE: \$450,000	\$250,000
Penalty Incr.	\$250,000	DRA: \$50,000 CCUE: \$450,000	\$250,000
Maximum	\$3,750,000	\$3,750,000	\$3,750,000
Equalizer	N/A	0.2	None
Annual Improvement		CCUE: 0.3	0.03

The targets adopted in D.08-07-046 for SAIDI, SAIDET, and SAIFI were proposed by DRA. They were developed by averaging the then-latest 5-years of SDG&E's actual reliability results for each index, rounding that result, and subtracting one increment as an initial "stretch factor". The resulting targets along with the adopted Annual Improvement Factors were applied to the subsequent 4-year GRC period (2008-2012), covered by D.08-07-046.

### **PROPOSED RELIABILITY PERFORMANCE INCENTIVES CONSISTENT WITH OP9**

D.13-05-010, OP9 directs SDG&E to propose a set of reliability performance incentives “consistent with what was adopted in D.08-07-046, updating the targets that would have been in effect in 2010”. To accomplish this, SDG&E has duplicated the process described above that DRA used to develop the SAIDI, SAIDET, and SAIFI targets adopted in D.08-07-046.

SDG&E has averaged the now-latest 5 years (2008-2012) of actual reliability results for each index (after making adjustments for changes in reliability reporting procedures<sup>2</sup>), rounded that result, and subtracted one increment as an initial “stretch factor”. Increments and Annual Improvement Factors are the same as those adopted in D.08-07-046. If adopted, the resulting targets would be applied to the remainder of the 4-year period covered by D.13-05-010 (2014-2015). Applying these targets to years 2014-2015 is consistent with the wording of OP9 “...updating the targets that would have been in effect in 2010”. 2010 was the 3<sup>rd</sup> of 4 years covered by D.08-07-046, and 2014 is the 3<sup>rd</sup> of 4 years covered by D.13-05-010. This correlation is illustrated in Figure 1 below.

**FIGURE 1**  
**Correlation of 2010 in D.08-07-046 and 2014 in D.13-05-010**

<b>DECISION</b>	<b>4-Year GRC Period</b>			
<b>D.08-07-046</b>	2008	2009	<b>2010</b>	2011
			↓	
<b>D.13-05-010</b>	2012	2013	<b>2014</b>	2015

*“...reliability performance incentives consistent with what was adopted in D.08-07-046, updating the targets that would have been in effect in 2010.”*

<sup>2</sup> For purposes of calculating targets applicable to 2014-2015, SDG&E’s actual reliability results for 2008-2012 have been adjusted to reflect reliability reporting procedures that will be in effect during the 2014-2015 time period. See Appendix A for details regarding these adjustments.



The resulting reliability performance incentives applicable to years 2014-2015 are summarized in Table 1 below:

**TABLE 1**  
**Performance Incentives Consistent With D.13-05-010, OP9**

<b>SAIDI (minutes)</b>	
Dead Band	+/-2
Increment	1
Annual Improvement	5%
2014 Target	60
2015 Target	57
Reward Incr.	\$250,000
Penalty Incr.	\$250,000
Maximum	\$2,000,000

<b>SAIFI (outages)</b>	
Dead Band	+/-0.02
Increment	0.01
Annual Improvement	0.03
2014 Target	0.56
2015 Target	0.53
Reward Incr.	\$250,000
Penalty Incr.	\$250,000
Maximum	\$3,750,000

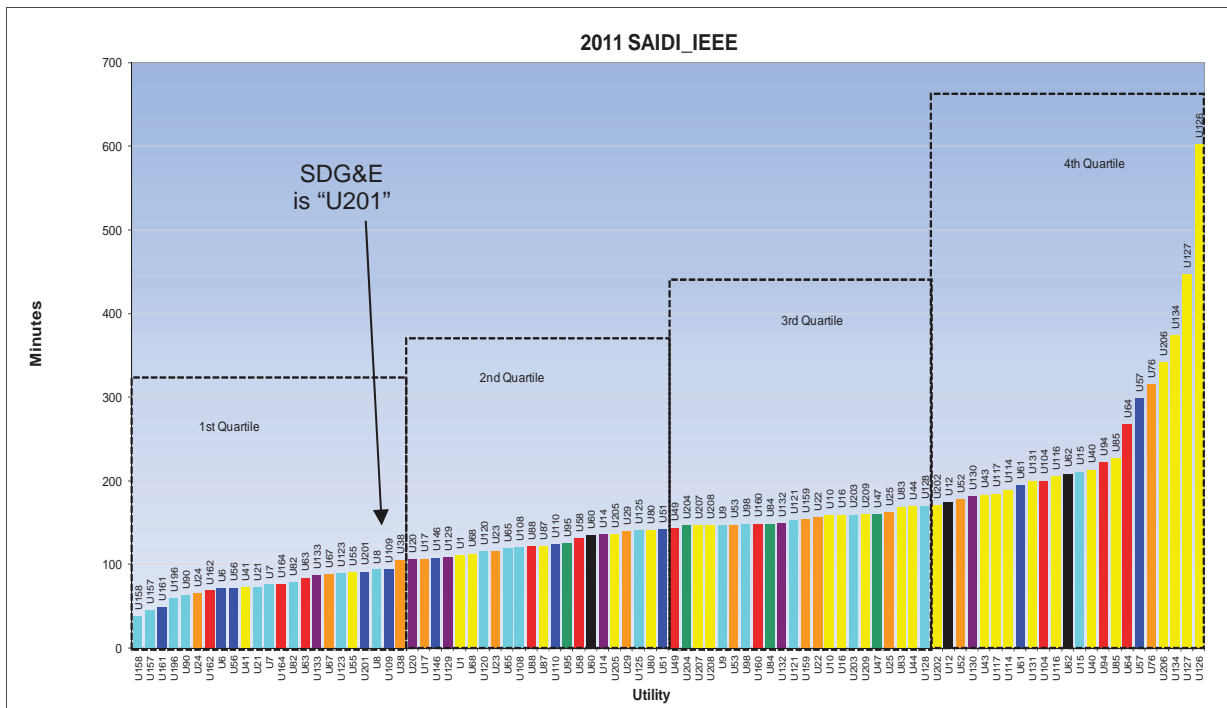
<b>SAIDET (minutes)</b>	
Dead Band	+/-2
Increment	1
Annual Improvement	5%
2014 Target	29
2015 Target	27
Reward Incr.	\$175,000
Penalty Incr.	\$175,000
Maximum	\$1,750,000

**PERFORMANCE INCENTIVES CONSISTENT WITH OP9 ARE NOT APPROPRIATE DUE TO SDG&E’S PRIOR RELIABILITY IMPROVEMENT**

SDG&E’s system reliability can be described as “best in class”. SDG&E has worked diligently to improve its system reliability and has been very successful in that regard. Significant reductions have been made over the past 10 years in both system SAIDI and SAIFI scores. As a result of its accomplishments, SDG&E was recognized in 2012 as the most reliable utility in the Western United States for the **seventh year in a row** by the PA Consulting Group, which also presented the utility with special awards for “Outstanding Response to a Major Outage Event” for our rapid restoration of power after the Pacific Southwest Outage and the 2012 “ServiceOne Award” for outstanding customer service.<sup>3</sup>

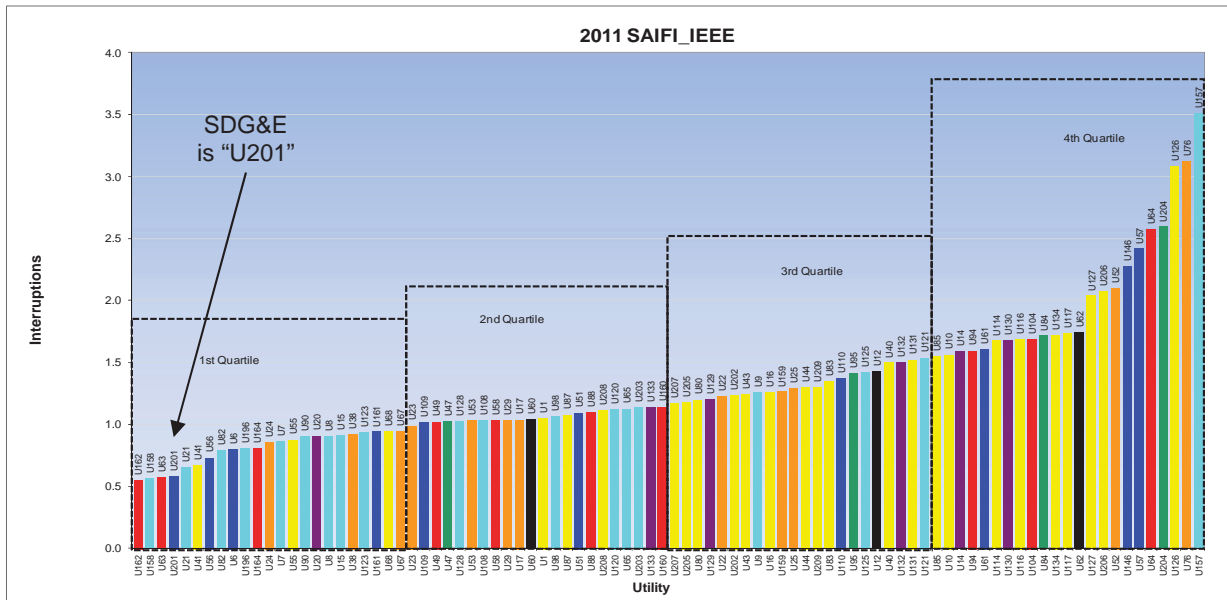
In addition, SDG&E ranked in the **first quartile** in the 2012 IEEE Benchmarking Study of 90 utilities throughout the United States, as shown below in Figures 2 and 3 for SAIDI and SAIFI respectively.

Figure 2



<sup>3</sup> See Appendix C.

Figure 3



The targets proposed under OP9 which would be based on historical performance would penalize SDG&E for prior reliability improvement. The OP9 methodology reflects an unrealistic expectation that progress can continue at the ambitious rate experienced previously, despite the fact that significant improvements have already been accomplished.

Figures 4 through 6 below illustrate SDG&E's SAIDI and SAIFI improvements over the past 10 years, compared to the aggressive targets proposed under OP9. Following this excellent record of improvement, these aggressive targets would be extremely difficult to achieve. It would simply be unfair and wrong to impose unavoidable financial penalties on SDG&E in light of its excellent system reliability record.

**FIGURE 4**

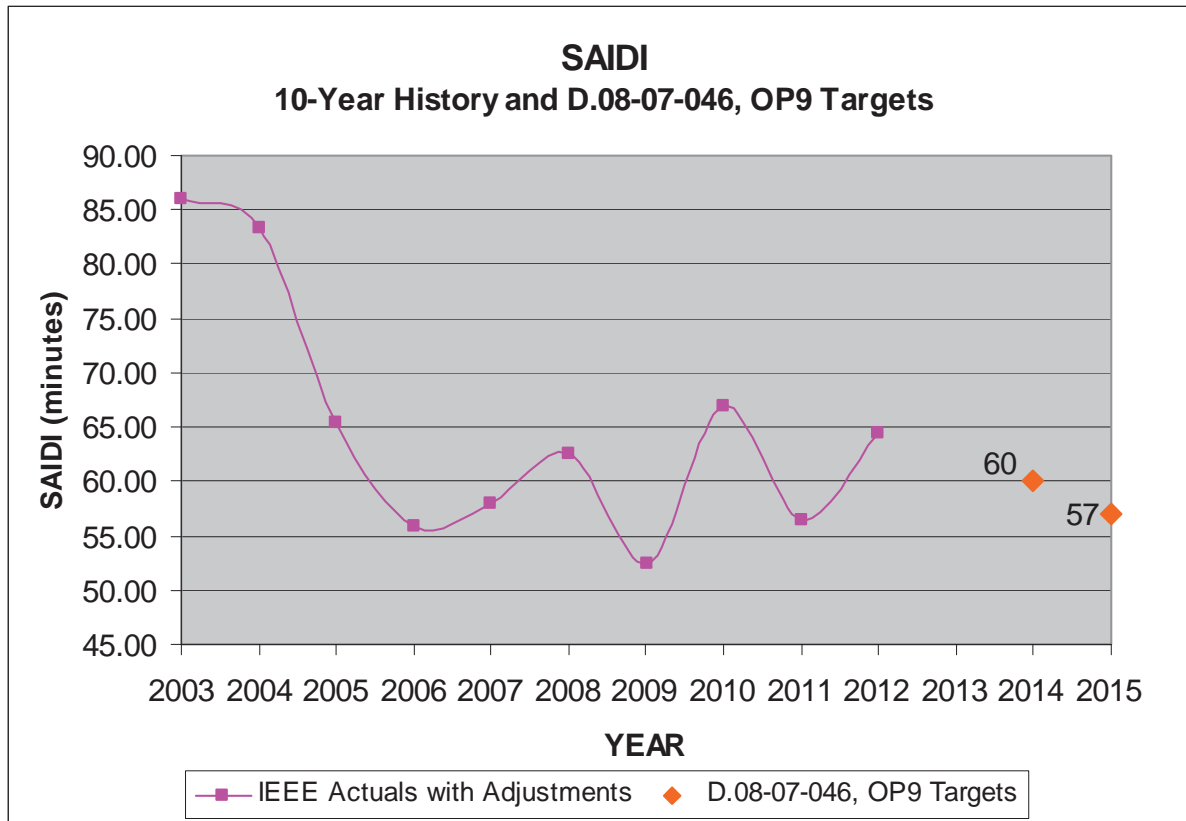


FIGURE 5

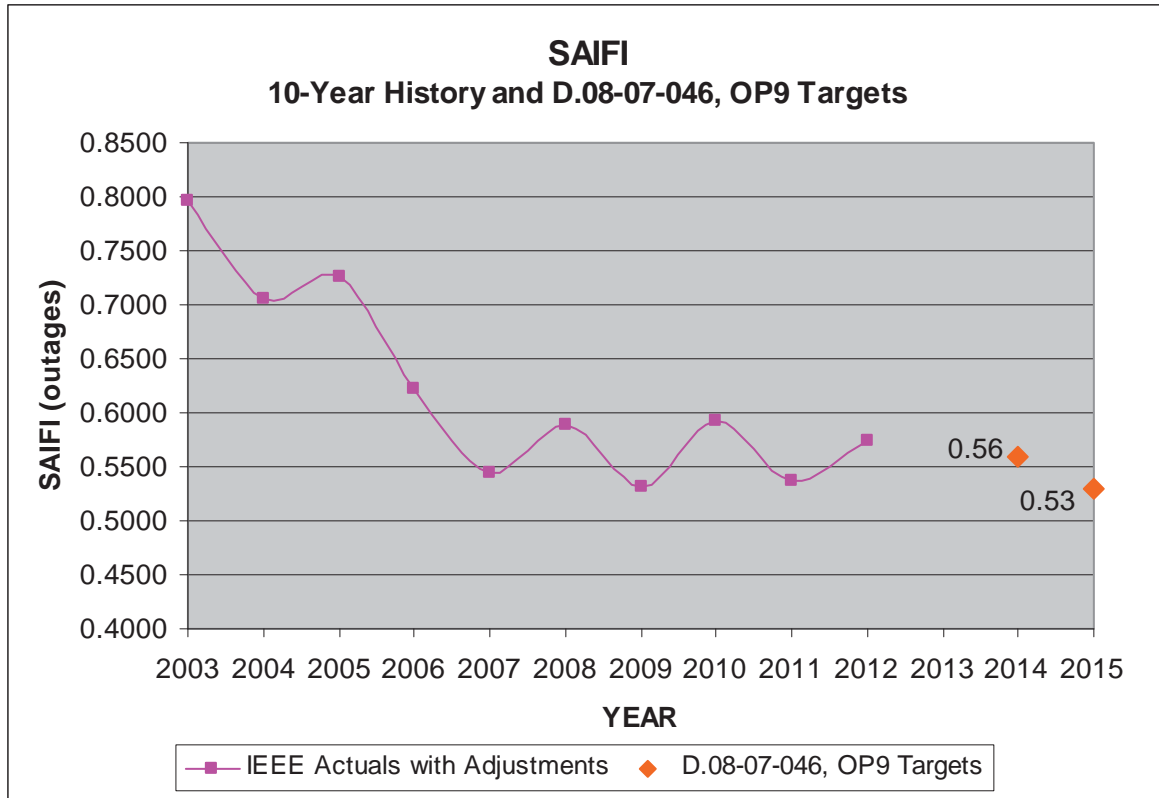
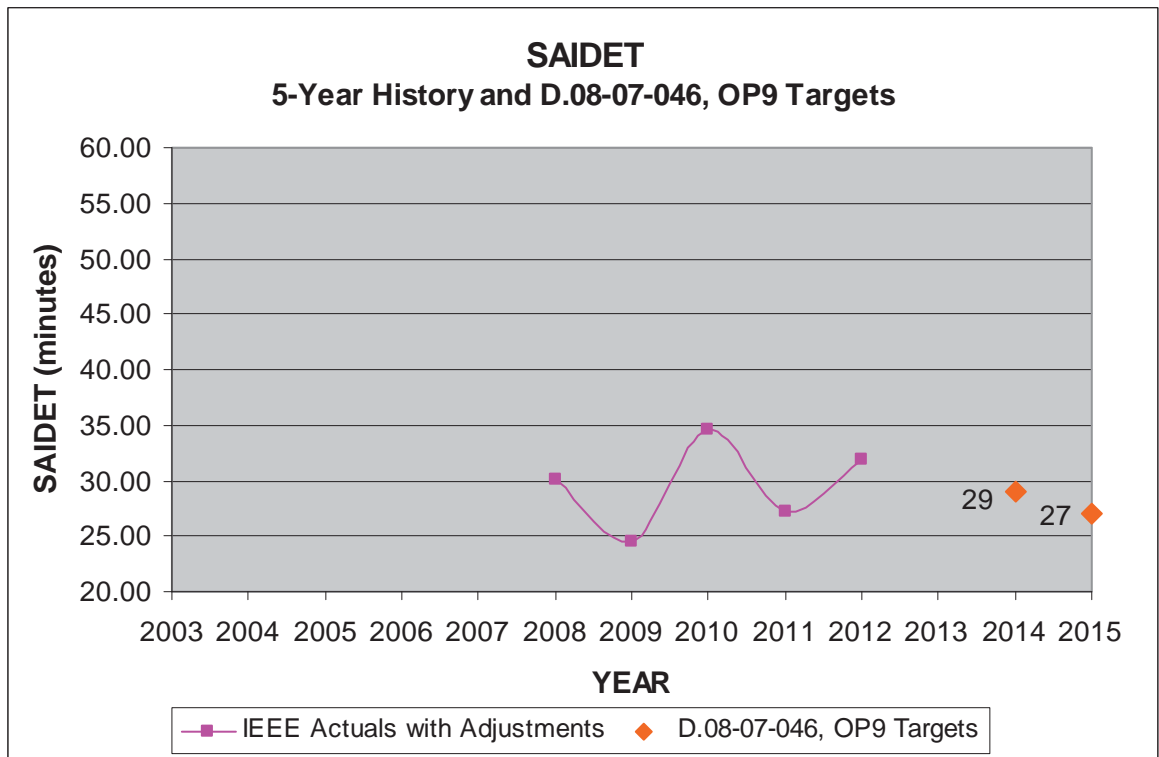


FIGURE 6



## **SDG&E'S ALTERNATIVE PROPOSED RELIABILITY PERFORMANCE INCENTIVES**

For the reasons discussed above, SDG&E is proposing an alternative set of reliability performance incentives for the 2014-2015 period. Although largely similar, SDG&E's proposal differs from OP9 in three ways:

- Annual Improvement Factors have been reduced but do exist.
- The initial stretch factor has been removed.
- SAIDET has been replaced with two new indices focused on "worst circuit" improvement.

### **Annual Improvement Factors**

The concept of an "Annual Improvement Factor" is problematic for several reasons. Using Annual Improvement Factors assumes that improvements are inherent in normal business or are the result of a trend. In fact, reliability improvements for utilities that are already excellent in reliability are often difficult to achieve without large increases in spending. Due to SDG&E's process of prioritizing reliability work, each successive reliability improvement has less of an impact, and therefore more work needs to be performed to get the same benefit. Consequently, a continually larger reliability budget will be necessary to achieve more demanding goals. In short, reliability improvement work has diminishing returns, and this is more pronounced for high performing utilities like SDG&E.

Additionally, there is no agreement on the level of reliability that is preferred by customers, especially when it is understood that improving reliability can increase spending. In other words, it isn't clear that customers are willing to pay for a rate increase to improve reliability. It should also be recognized that many SDG&E customers don't experience outages in a year's span; therefore improvements and additional costs would have little value to them.

The level of an annual improvement should not be arbitrarily chosen but based on agreed-upon criteria. The criteria would need to include concepts of cost/benefit of reliability improvements, the current state of reliability, customer preference, etc. For example, a utility with a history of bad reliability would have an easier time of improving reliability by a certain percentage, versus a utility that consistently leads its peer groups, such as SDG&E. As a compromise, SDG&E proposes a 1% improvement factor.

### **Initial Stretch Factor**

An initial stretch factor is duplicative with Annual Improvement Factors. Since Annual Improvement Factors have been retained at reduced levels, the initial stretch factor has been removed.

## **New Indices Focused On “Worst Circuit” Improvement**

With the comments above in mind, SDG&E has considered how existing reliability indices can best be used as incentives to bring its electric reliability to a higher level of performance. During its considerations, SDG&E determined that although overall system reliability is excellent, there are segments of its service territory where reliability could be improved. The focus on system-wide SAIDI and SAIFI has created an unintended consequence: a wide disparity in the level of reliability experienced by SDG&E’s customers.

During previous PBR periods, SDG&E created analytical tools to identify reliability improvement projects which would have the greatest benefit based on SAIDI and SAIFI. Because SAIDI and SAIFI are system-wide measures, the analytical tools focus on “system level” reliability. Because system-wide SAIDI and SAIFI are both strongly correlated to number of customers affected by outages, the analytical tools typically identify reliability improvement capital projects that will affect a large number of customers. The result is that SDG&E has focused much of its reliability improvement efforts on areas which have a higher level of customer density, which is a cost effective solution to our overall reliability initiatives. Although SDG&E has been very successful at improving the denser portions of its service territory, other less dense areas have received fewer reliability projects.

For these reasons, SDG&E is herein introducing the concept of “Circuit SAIDI” and proposing two new reliability indices, “Worst Circuit SAIDI” and “Worst Circuit SAIFI”.<sup>4</sup>

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<sup>4</sup> Definitions:

- Circuit SAIDI = (Total customer-minutes of outage time on a circuit) / (Number of customers on that circuit).
- Circuit SAIFI = (Total customer-outages on a circuit) / (Number of customers on that circuit).
- Worst Circuit SAIDI = The weighted average of the 10 worst circuits as ranked by Circuit SAIDI.
- Worst Circuit SAIFI = The weighted average of the 10 worst circuits as ranked by Circuit SAIFI.

Figure 7 below utilizes the concept of Circuit SAIDI to illustrate that customers on over 80% of SDG&E's distribution circuits experienced less than 2 hours of outages in 2012, while customers on a small number of circuits experienced over 6 hours. For comparison, SDG&E's system-wide SAIDI for 2012 was slightly over 1 hour.

**FIGURE 7**

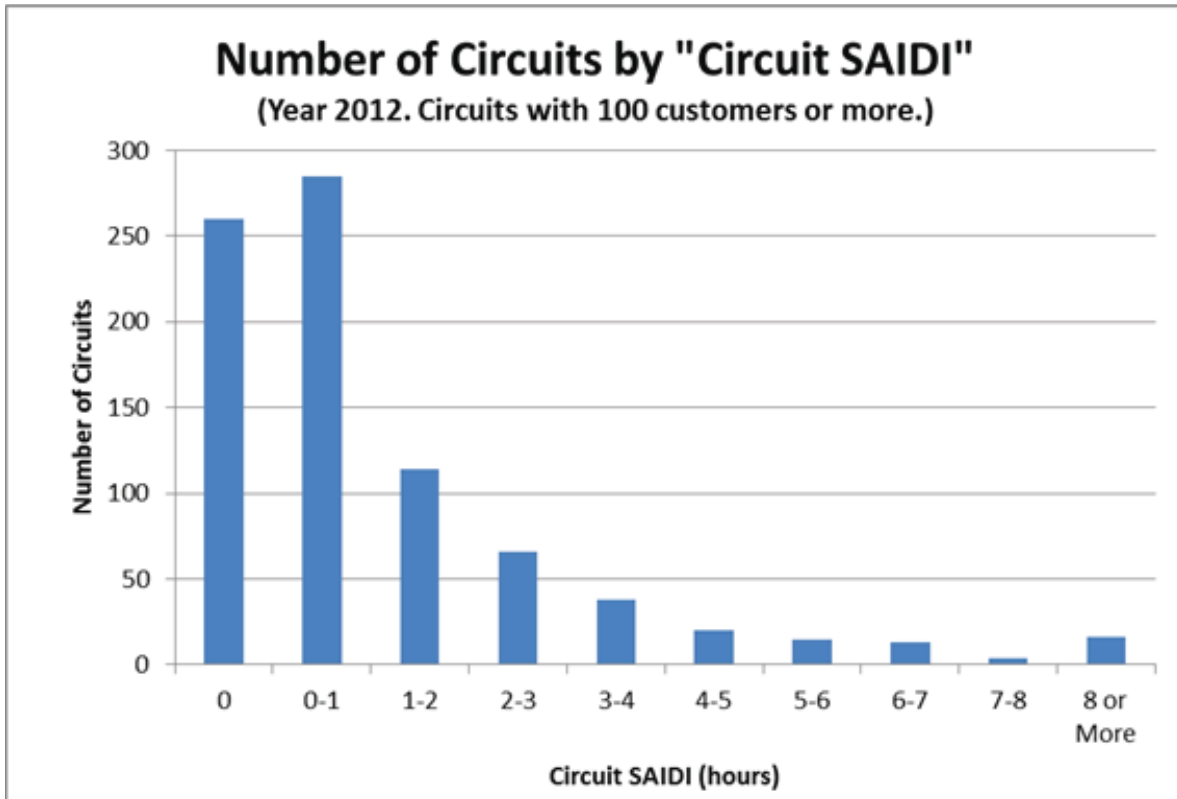
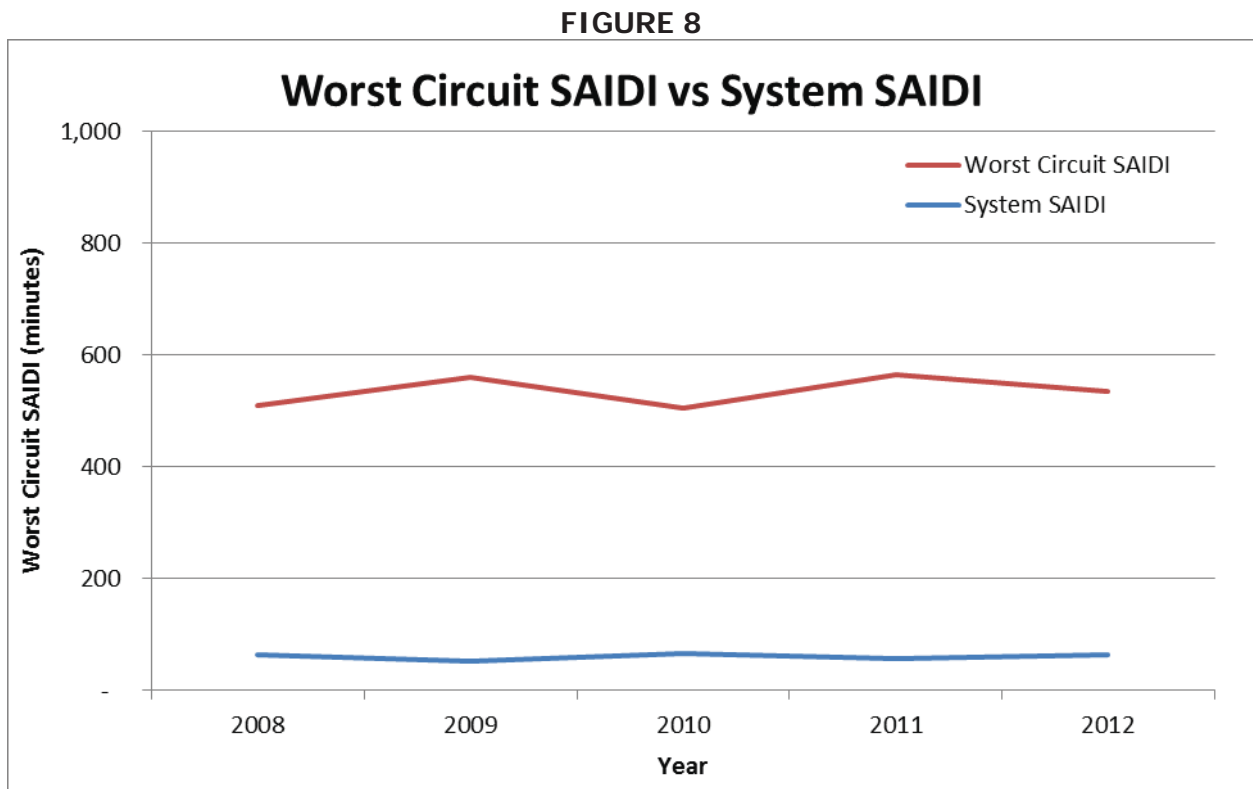




Figure 8 below demonstrates that Worst Circuit SAIDI is substantially higher than system-wide SAIDI. This confirms the discussion above that reliability could be better on some circuits even though overall system reliability is very good.



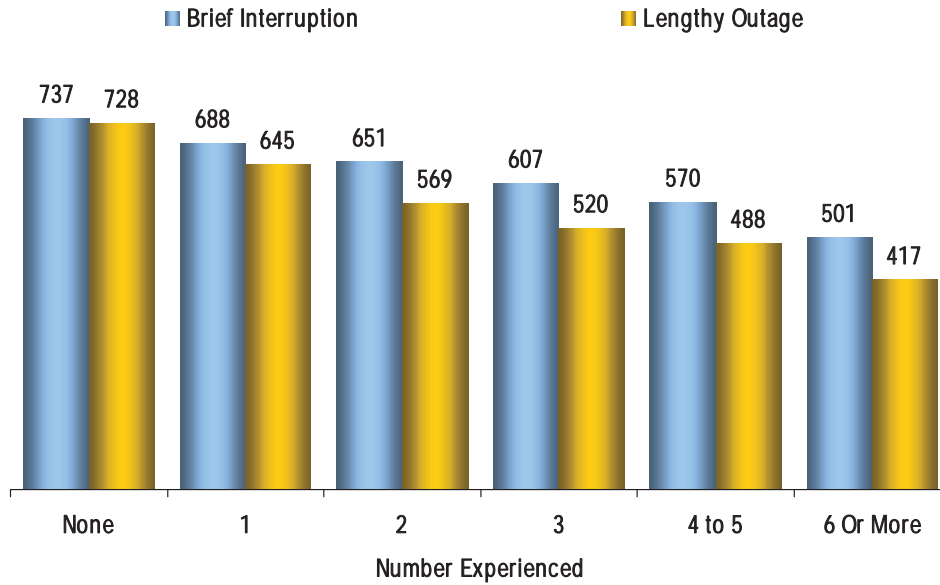
SDG&E's system SAIDI and system SAIFI values indicate that the average customer experiences approximately one hour of outage time per year, and experiences one outage every two years. However, it is obvious from the facts presented above that some of SDG&E's customers are experiencing a lower level of reliability. Recent research<sup>5</sup> indicates that customer satisfaction drops below the threshold of 600 points after 4 hours of outage duration, and after experiencing 2-4 outage events (depending on length of outage).

<sup>5</sup> J.D. Power and Associates, "2012 Electric Utility Residential Customer Satisfaction Study".

Figures 9 and 10 taken from the referenced J.D. Powers and Associates research illustrate these facts:

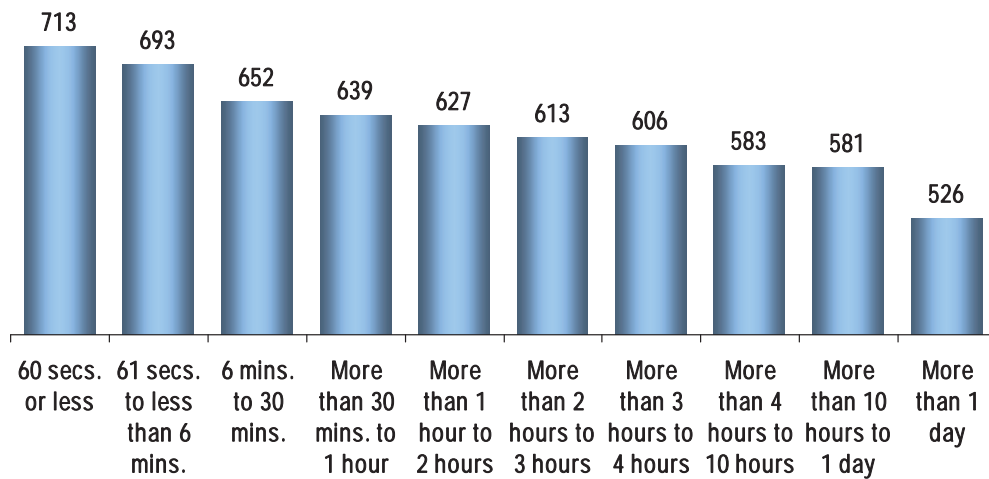
**Figure 9**

**Customer Satisfaction Declines With Increased Outage Frequency**



**Figure 10**

**Customer Satisfaction Declines With Increased Outage Length**



These findings, demonstrated in the graphs above, support why the two proposed reliability indices “Worst Circuit SAIDI” and “Worst Circuit SAIFI” should be considered as a next important step for SDG&E to spread excellent reliability throughout its service territory. Reliability incentives based on these new indices will motivate SDG&E to focus reliability improvement projects on its worst-performing circuits.

The concept of the two new indices is straightforward. At the beginning of each year, two lists of circuits will be generated – one for the 10 worst performing circuits as measured by Circuit SAIDI and the other list for the 10 worst performing circuits as measured by Circuit SAIFI. Only circuits with 100 customers or more will be considered.<sup>6</sup> The most recent five years of data will be used to calculate these indices. The immediate prior year will not be included in the five year data set because it is not finalized until March 1<sup>st</sup> of the following year.

The values representing Worst Circuit SAIDI and Worst Circuit SAIFI indices will be based on the customer-weighted average of Circuit SAIDI and Circuit SAIFI for each group of 10 worst circuits – see example below. A customer-weighted average is more appropriate than a simple average because circuits vary widely in terms of their number of customers. Thus, circuits with a larger number of customers should influence the index more than circuits with fewer customers. Finally, the reliability incentive amount (penalty/reward) will be determined by the difference of Worst Circuit SAIDI and Worst Circuit SAIFI for the same 10 circuits at the end of the next year. Looking forward, with each successive year bringing a different list of 10 circuits, SDG&E will annually survey low performing circuits for reliability improvements. Within a few years, a large portion of SDG&E's service territory that may have been formerly overlooked by focusing only on system-wide measures will be improved.

Table 2 below is an example of how Worst Circuit SAIDI is calculated. Assume that the table reflects the Circuit SAIDI data calculated from the most recently available 5 years, sorted with worst performing circuits listed first. In this example, the worst performing circuits as measured by Circuit SAIDI are hypothetical circuits A, B, C, D, E, F, G, H, I, and J.

**TABLE 2**  
**Hypothetical Worst Circuit SAIDI Calculation**

Circuit ID (hypothetical)	Customer Minutes over the 5 Year Period (due to outages on that circuit)	Circuit Customers	Circuit SAIDI (Customer Minutes / Circuit Customers / 5 years)
A	5,000,000	1,000	1,000 (=5,000,000/1,000/5)
B	5,000,000	1,200	833
C	2,800,000	700	800
...			
J	10,000,000	4,000	500
<b>Total of 10 Circuits</b>	<b>70,000,000 (sum of column)</b>	<b>20,000 (sum of column)</b>	<b>700 (=70,000,000/20,000/5)</b>

<sup>6</sup> For the purposes of Worst Circuit SAIDI and Worst Circuit SAIFI outages caused by fire will be excluded. These outages are statistical anomalies that are not typical of normal operations.

In this example, the Worst Circuit SAIDI benchmark used for that year would be 700 minutes. At the end of the following year, SDG&E will tabulate that year's Circuit SAIDI and Circuit SAIFI for the same 10 circuits (A through J), calculate the Worst Circuit SAIDI value for that year, and compare it to the previously established benchmark value. Continuing with the example above, if the Worst Circuit SAIDI for those 10 circuits was 700 minutes, which then decreased to 640 minutes in the following year, that would indicate a decrease of 60 minutes. That value of 60 minutes would be used to calculate the resulting financial reward, if any. Conversely, if the Worst Circuit SAIDI for those 10 circuits rose to 760 minutes in the following year, that would indicate an increase of 60 minutes. That value of 60 minutes would be used to calculate the resulting financial penalty, if any. The reliability improvement work done on each of the worst circuits will also be reported.

SDG&E proposes that the penalty/reward structure for Worst Circuit SAIDI and Worst Circuit SAIFI be similar in character to system SAIDI and system SAIFI; with usage of increments, deadbands, and similar levels of maximum penalty/reward, etc. An important concept is that the penalty and reward be balanced; with the possibility to maximize penalty or reward of equal magnitude. The deadband and increment values should be determined with knowledge that Worst Circuit SAIDI has historically been in the 500-550 minute range. SDG&E proposes Worst Circuit SAIDI to have an increment of 50 minutes, a deadband of 50 minutes, a payout per increment of \$250,000, and a maximum penalty/reward of \$2M. SDG&E proposes Worst Circuit SAIFI to have an increment of 0.50 outages, a deadband of 0.5 outages, a payout per increment of \$250,000, and a maximum penalty/reward of \$2M. See Table 3 for the summary of proposed indices.

Worst Circuit SAIDI and Worst Circuit SAIFI are superior to SAIDET for similar reasons as those mentioned above regarding SAIDI and SAIFI. SAIDET is a system-wide index and as such places the emphasis of remedial action in dense areas. SAIDET is a fine index that is more suited for situations when a single index is being tasked to summarize reliability. However, SDG&E believes a multi-index system is more appropriate to address the multiple issues confronted by electric utilities. Incorporating Worst Circuit SAIDI and Worst Circuit SAIFI is a method to focus simultaneously on the entire system and the customers with the worst reliability.

SDG&E believes that future system improvement projects focused on SAIDI and SAIFI will be different than those focused on Worst Circuit SAIDI and Worst Circuit SAIFI. Projects focused on SAIDI and SAIFI will be located in dense areas while those focused on Worst Circuit SAIDI and Worst Circuit SAIFI will be located in less dense areas. Additionally, SDG&E believes that indices focusing on SAIDI and SAIFI independently are important due to the different nature of each index, and the fact that the types of remedial actions available to address SAIDI and SAIFI are distinct in many ways. Consequently, SDG&E is proposing a mirrored set of indices with similar penalty/reward structure between the system-wide and worst circuit indices.

**CONCLUSION**

SDG&E is an industry leader in electric reliability. Excellent reliability has been the result of a combination of forward thinking, a desire to improve customer satisfaction, and the appropriate financial incentives. SDG&E has a strong culture of providing excellent reliability, and has dedicated a significant amount of man-hours to the topic. "Keeping the lights on" is an effort that involves job roles from energy procurement to engineers to linemen, and everyone in between.

SDG&E constantly analyzes its outage data to make improvements; identifying: (a) leading causes of outages, (b) potential mitigation efforts, (c) methods to minimize customers affected, and (d) techniques to repair outages quickly and safely. SDG&E has been commended by external and internal auditors as having a well-documented, consistent approach to tracking outage data, and that data is used extensively for reliability improvement purposes. Outage data, when coupled with circuit topology and GIS, allows analysts and engineers to find solutions to improve reliability.

Large outages are reviewed within 30 days by a director-level Reliability Council, which includes leaders from engineering, operations, and customer service, to identify lessons learned that can be used to improve the system and/or restoration activities. Additionally, internal reliability goals are set at the operating district level and at the transmission/substation levels. A bi-weekly team of engineers, analysts, and operators meet to discuss reliability matters. Regular reliability reports are issued to company leadership, and are available on company electronic dashboards. SDG&E truly takes reliability seriously.

SDG&E believes that continuing with the previous PBR (consistent with D.13-05-010, OP9) will lead to two significant issues: (1) the difficulty of attaining onerous decreasing targets because SDG&E is already "best in class"; (2) the continued divergence of reliability between those in high density areas versus those in low density areas. Implementing the Worst Circuit SAIDI and Worst Circuit SAIFI indices, with their annual review of worst circuits, will allow SDG&E to improve reliability in areas that have the greatest need. Acceptance of the new indices will begin a new era of more uniform reliability, while continuing the overall high level of reliability enjoyed by SDG&E's customers.

Table 3 below compares the D.13-05-010 OP9 proposal and the SDG&E alternative proposal side by side:

**TABLE 3**  
**Comparison of Alternative Proposed Reliability Performance Incentives**

<b>SAIDI (minutes)</b>	<b>Consistent with D.13-05-010, OP9</b>	<b>SDG&amp;E Alternative</b>
Dead Band	+/-2	+/-2
Increment	1	1
Annual Improvement	5%	1%
2014 Target	60	61
2015 Target	57	60
Reward Incr.	\$250,000	\$250,000
Penalty Incr.	\$250,000	\$250,000
Maximum	\$2,000,000	\$2,000,000

<b>SAIFI (outages)</b>	<b>Consistent with D.13-05-010, OP9</b>	<b>SDG&amp;E Alternative</b>
Dead Band	+/-0.02	+/-0.02
Increment	0.01	0.01
Annual Improvement	0.03	0.01
2014 Target	0.56	0.57
2015 Target	0.53	0.56
Reward Incr.	\$250,000	\$250,000
Penalty Incr.	\$250,000	\$250,000
Maximum	\$3,750,000	\$2,000,000

<b>SAIDET (minutes)</b>	<b>Consistent with D.13-05-010, OP9</b>	<b>SDG&amp;E Alternative</b>
Dead Band	+/-2	Not Used
Increment	1	
Annual Improvement	5%	
2014 Target	29	
2015 Target	27	
Reward Incr.	\$175,000	
Penalty Incr.	\$175,000	
Maximum	\$1,750,000	

<b>Worst Circuit SAIDI (minutes)</b>	<b>Consistent with D.13-05-010, OP9</b>	<b>SDG&amp;E Alternative</b>
Dead Band	Not Used	50
Increment		50
Annual Improvement		Not Used
2014 Target		To be calculated based on 2008-2012 results*
2015 Target		To be calculated based on 2009-2013 results*
Reward Incr.		\$250,000
Penalty Incr.		\$250,000
Maximum		\$2,000,000

<b>Worst Circuit SAIFI (outages)</b>	<b>Consistent with D.13-05-010, OP9</b>	<b>SDG&amp;E Alternative</b>
Dead Band	Not Used	0.5
Increment		0.5
Annual Improvement		Not Used
2014 Target		To be calculated based on 2008-2012 results*
2015 Target		To be calculated based on 2009-2013 results*
Reward Incr.		\$250,000
Penalty Incr.		\$250,000
Maximum		\$2,000,000

\* Targets to be calculated as described in the example in Table 2.

### **EFFECTIVE DATE**

Pursuant to OP 9 of D.13-05-010 and GO 96-B, SDG&E believes that this filing is subject to Energy Division disposition and should be classified as Tier 3 (effective after Commission approval). SDG&E respectfully requests that the Commission issue a resolution approving this advice letter.

### **PROTEST**

Anyone may protest this Advice Letter to the California Public Utilities Commission. The protest must state the grounds upon which it is based, including such items as financial and service impact, and should be submitted expeditiously. The protest must be made in writing and must be received no later than September 26, 2013, which is within 20 days of the date this Advice Letter was filed with the Commission. There is no restriction on who may file a protest. The address for mailing or delivering a protest to the Commission is:

CPUC Energy Division  
Attention: Tariff Unit  
505 Van Ness Avenue  
San Francisco, CA 94102

Copies of the protest should also be sent via e-mail to the attention of the Energy Division at [EDtariffUnit@cpuc.ca.gov](mailto:EDtariffUnit@cpuc.ca.gov). A copy of the protest should also be sent via both e-mail and facsimile to the address shown below on the same date it is mailed or delivered to the Commission.

Attn: Megan Caulson  
Regulatory Tariff Manager  
8330 Century Park Court, Room 32C  
San Diego, CA 92123-1548  
Facsimile No. (858) 654-1879  
E-mail: [MCaulson@semprautilities.com](mailto:MCaulson@semprautilities.com)

### **NOTICE**

A copy of this filing has been served on the utilities and interested parties shown on the attached list including parties in A.10-12-005 by either providing them a copy electronically or by mailing them a copy hereof, properly stamped and addressed.

Address changes should be directed to SDG&E Tariffs by facsimile at (858) 654-1879 or by e-mail at [SDG&ETariffs@semprautilities.com](mailto:SDG&ETariffs@semprautilities.com).

---

CLAY FABER  
Director – Regulatory Affairs

(cc list enclosed)

### **Attachments:**

- Appendix A: SDG&E's 2008-2012 Adjusted Reliability Results
- Appendix B: August 29, 2008 letter from Lee Schavrien to Paul Clanon
- Appendix C: Article recognizing SDG&E's for Outstanding Reliability, Outage Response, and Customer Care



# CALIFORNIA PUBLIC UTILITIES COMMISSION

## ADVICE LETTER FILING SUMMARY ENERGY UTILITY

MUST BE COMPLETED BY UTILITY (Attach additional pages as needed)

Company name/CPUC Utility No. **SAN DIEGO GAS & ELECTRIC (U 902)**

Utility type:

ELC

GAS

PLC

HEAT

WATER

Contact Person: Megan Caulson

Phone #: (858) 654-1748

E-mail: mcaulson@semprautilities.com

### EXPLANATION OF UTILITY TYPE

ELC = Electric

GAS = Gas

PLC = Pipeline

HEAT = Heat

WATER = Water

(Date Filed/ Received Stamp by CPUC)

Advice Letter (AL) #: 2518-E

Subject of AL:) Proposed Reliability Performance Incentives in Compliance with Decision 13-05-010.

Ordering Paragraph 9

Keywords (choose from CPUC listing): Reliability, Compliance

AL filing type:  Monthly  Quarterly  Annual  One-Time  Other

If AL filed in compliance with a Commission order, indicate relevant Decision/Resolution #:

D.13-05-010

Does AL replace a withdrawn or rejected AL? If so, identify the prior AL

Summarize differences between the AL and the prior withdrawn or rejected AL<sup>1</sup>: N/A

Does AL request confidential treatment? If so, provide explanation:

Resolution Required?  Yes  No

Tier Designation:  1  2  3

Requested effective date: Upon Commission Approval

No. of tariff sheets: 0

Estimated system annual revenue effect (%): N/A

Estimated system average rate effect (%): N/A

When rates are affected by AL, include attachment in AL showing average rate effects on customer classes (residential, small commercial, large C/I, agricultural, lighting).

Tariff schedules affected:

Service affected and changes proposed<sup>1</sup>: N/A

Pending advice letters that revise the same tariff sheets: N/A

**Protests and all other correspondence regarding this AL are due no later than 20 days after the date of this filing, unless otherwise authorized by the Commission, and shall be sent to:**

**CPUC, Energy Division**

**Attention: Tariff Unit**

**505 Van Ness Ave.,**

**San Francisco, CA 94102**

**EDTariffUnit@cpuc.ca.gov**

**San Diego Gas & Electric**

**Attention: Megan Caulson**

**8330 Century Park Ct, Room 32C**

**San Diego, CA 92123**

**mcaulson@semprautilities.com**

<sup>1</sup> Discuss in AL if more space is needed.

General Order No. 96-B  
ADVICE LETTER FILING MAILING LIST

cc: (w/enclosures)

Public Utilities Commission

DRA

S. Cauchois  
R. Pocta  
W. Scott

Energy Division

P. Clanon  
S. Gallagher  
D. Lafrenz  
M. Salinas

CA. Energy Commission

B. Helft  
B. Pennington

Alcantar & Kahl LLP

K. Cameron

American Energy Institute

C. King

APS Energy Services

J. Schenk

BP Energy Company

J. Zaiontz

Barkovich & Yap, Inc.

B. Barkovich

Bartle Wells Associates

R. Schmidt

Braun & Blaising, P.C.

S. Blaising

California Energy Markets

S. O'Donnell

C. Sweet

California Farm Bureau Federation

K. Mills

California Wind Energy

N. Rader

Children's Hospital & Health Center

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J. Cervantes

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M. Valerio

Commerce Energy Group

V. Gan

CP Kelco

A. Friedl

Davis Wright Tremaine, LLP

E. O'Neill

J. Pau

Dept. of General Services

H. Nanjo

M. Clark

Douglass & Liddell

D. Douglass

D. Liddell

G. Klatt

Duke Energy North America

M. Gillette

Dynegy, Inc.

J. Paul

Ellison Schneider & Harris LLP

E. Janssen

Energy Policy Initiatives Center (USD)

S. Anders

Energy Price Solutions

A. Scott

Energy Strategies, Inc.

K. Campbell

M. Scanlan

Godin, MacBride, Squeri, Ritchie & Day

B. Cragg

J. Heather Patrick

J. Squeri

Goodrich Aerostructures Group

M. Harrington

Hanna and Morton LLP

N. Pedersen

Itsa-North America

L. Belew

J.B.S. Energy

J. Nahigian

Luce, Forward, Hamilton & Scripps LLP

J. Leslie

Manatt, Phelps & Phillips LLP

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Matthew V. Brady & Associates

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Modesto Irrigation District

C. Mayer

Morrison & Foerster LLP

P. Hanschen

MRW & Associates

D. Richardson

Pacific Gas & Electric Co.

J. Clark

M. Huffman

S. Lawrie

E. Lucha

Pacific Utility Audit, Inc.

E. Kelly

San Diego Regional Energy Office

S. Freedman

J. Porter

School Project for Utility Rate Reduction

M. Rochman

Shute, Mihaly & Weinberger LLP

O. Armi

Solar Turbines

F. Chiang

Southern California Edison Co.

M. Alexander

K. Cini

K. Gansecki

H. Romero

TransCanada

R. Hunter

D. White

TURN

M. Hawiger

UCAN

D. Kelly

U.S. Dept. of the Navy

K. Davoodi

N. Furuta

L. DeLacruz

Utility Specialists, Southwest, Inc.

D. Koser

Western Manufactured Housing

Communities Association

S. Dey

White & Case LLP

L. Cottle

Interested Parties

A.10-12-005

## APPENDIX A

For purposes of calculating targets applicable to 2014-2015, SDG&E's actual reliability results for 2008-2012 have been adjusted to reflect reliability reporting procedures that will be in effect during the 2014-2015 time period, as follows:

- a. Beginning in 2013, SDG&E changed its outage exclusion criteria from "CPUC Major Events" to "IEEE Major Event Days", as described in Advice Letter 2256-E dated May 17, 2011. Thus SDG&E's actual reliability results for 2008-2012 have been restated to reflect the IEEE exclusion criteria.
- b. Beginning in 2012, SDG&E increased the accuracy of the customer-impact data used to determine its reliability results. This change increased SAIDI and SAIDET by an estimated 5.62% and SAIFI by an estimated 6.48%. Thus SDG&E's actual reliability results for 2008-2011 have been restated to reflect these increases.
- c. Beginning in 2014, SDG&E will change its method for calculating SAIFI to comply with the industry standard (IEEE-1366). This change will increase SAIFI by an estimated 7.61%. Thus SDG&E's actual SAIFI results for 2008-2012 have been restated to reflect this increase.

SDG&E's actual reliability results for 2008-2012 and each of the aforementioned adjustments appear in Table A-1 below:

**TABLE A-1  
SDG&E 2008-2012 RELIABILITY RESULTS ADJUSTED**

<b>SAIDI</b>	YEAR	2008	2009	2010	2011	2012*
	CPUC Major Events Excluded	58.92	66.01	67.74	54.14	64.11
	IEEE Major Event Days Excluded	59.17	49.71	63.36	53.43	64.36
	Customer-Impact Adjustment (5.62%)	3.33	2.79	3.56	3.00	N/A
	<b>IEEE with Adjustments</b>	<b>62.50</b>	<b>52.51</b>	<b>66.92</b>	<b>56.43</b>	<b>64.36</b>
<b>SAIFI</b>	YEAR	2008	2009	2010	2011	2012*
	CPUC Major Events Excluded	0.5147	0.5382	0.5434	0.4730	0.5316
	IEEE Major Event Days Excluded	0.5165	0.4663	0.5202	0.4710	0.5329
	Customer-Impact Adjustment (6.48%)	0.0335	0.0302	0.0337	0.0305	N/A
	SAIFI Calculation Adjustment (7.61%)	0.0393	0.0355	0.0396	0.0358	0.0406
<b>IEEE with Adjustments</b>	<b>0.5893</b>	<b>0.5320</b>	<b>0.5935</b>	<b>0.5373</b>	<b>0.5735</b>	
<b>SAIDET</b>	YEAR	2008	2009	2010	2011	2012
	CPUC Major Events Excluded	28.32	34.17	35.82	26.24	31.80
	IEEE Major Event Days Excluded	28.46	23.20	32.77	25.76	31.96
	Customer-Impact Adjustment (5.62%)	1.60	1.30	1.84	1.45	N/A
	<b>IEEE with Adjustments</b>	<b>30.06</b>	<b>24.51</b>	<b>34.61</b>	<b>27.21</b>	<b>31.96</b>

\* Slightly higher values for 2012 SAIDI and SAIFI were reported in SDG&E's 2012 Electric System Reliability Annual Report. The corrected 2012 values shown in this table will be reported in SDG&E's 2013 Electric System Reliability Annual Report.

## APPENDIX B



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August 29, 2008

Mr. Paul Clanon  
Executive Director  
California Public Utilities Commission  
505 Van Ness Avenue – Room 5223  
San Francisco, CA 94102

Dear Mr. Clanon,

On July 31, 2008, the Commission issued Decision No. (D.) 08-07-046 in San Diego Gas & Electric Company's (SDG&E) Application (A.) 06-12-009, a general rate case (GRC) application, and Southern California Gas Company's (SoCalGas) A.06-12-010, also a GRC application.

Ordering Paragraph (OP) 16 of D.08-07-046 directs that "SDG&E and SoCalGas shall affirmatively accept or decline each adopted incentive mechanism, for the duration of this rate cycle, within 30 days of the effective date of this decision, by letter to the Executive Director, with a copy served on the parties." These adopted incentive mechanisms are contained in OP 17 and OP 18 for SDG&E and SoCalGas respectively.

By this letter, SoCalGas and SDG&E each respectfully decline the adopted incentive mechanisms for Customer Satisfaction ("CS"), and SDG&E respectfully declines the adopted incentive mechanism for Electric Reliability ("ER"). SoCalGas and SDG&E each accept the adopted incentive mechanisms for Employee Safety.

It is with great regret that SoCalGas and SDG&E decline the CS and ER performance incentive mechanisms. Such mechanisms have been in place at each company for many years, and SoCalGas and SDG&E believe they have been successful mechanisms. In the 2008 GRC, SoCalGas and SDG&E proposed well-calibrated and balanced CS and ER incentive mechanisms that provided a symmetrical reward/penalty framework.

There are a number of reasons that SoCalGas and SDG&E have made the difficult decision to reject the adopted CS and ER performance incentive mechanisms. First, the final GRC decision adopts targets much more difficult to achieve than those proposed by SoCalGas and SDG&E, yet provides no additional funding by which to achieve those targets. Funding could have been made available for this purpose by providing SoCalGas a higher reward potential (as requested), but the final GRC decision fails to adopt this proposal as well. Second, the final GRC decision adopts "Annual Improvement Factors" that ratchet up the targets each year the mechanism is in place, again without consideration of additional funding to achieve these increasingly difficult targets (and apparently without consideration of whether such reductions are even possible to achieve). Third, with regard to the SDG&E ER performance incentive mechanism, operational changes related to fire prevention being contemplated by SDG&E



would no longer be consistent with the adopted ER mechanism without expanding the definition of certain excludable events. SDG&E may seek authority in the future to adopt the ER mechanism if the definition of excludable events can be expanded consistent with the operational changes being considered by SDG&E.

#### **Performance Incentive Targets**

The final GRC decision generally adopts the most difficult performance incentive targets proposed by any intervenor for CS and ER, yet it does so without consideration of how these targets are to be achieved. The implicit assumption in the final GRC decision is that improvements to CS or ER results beyond those proposed by the utilities are cost-free. In fact, the opposite is true. Continuous improvement in the CS and ER results become more expensive as the difficulty level of annual targets is increased. The net effect of more difficult targets with no increase in funding or potential rewards to achieve them is to drive the incentive mechanisms to penalty-only mechanisms – an outcome internally inconsistent with the stated goals of the final GRC decision. Further, the final GRC decision ignored SDG&E's comments and adopted a target for SAIFI that is calculated in error and produces a result that is explicitly at odds with what the final GRC decision purports to adopt.

#### **Annual Improvement Factors**

On top of adopting harder incentive mechanism targets, the final GRC decision also adopts annual improvement factors that annually increase the difficulty of the incentive mechanism targets beyond the adopted 2008 level. Such a concept was proposed by the California Coalition for Utility Employees ("CCUE") for the SAIDI and SAIFI performance indicators and was proposed by SDG&E and CCUE as part of their Employee Safety settlement. In filed comments, SDG&E noted that the rationale used by CCUE was warranted as a result of changes related to the Utility of the Future program, but significantly flawed because such potential improvements would occur well after the end of this GRC term. Further, SDG&E noted that use of declining annual targets in the SDG&E-CCUE Employee Safety settlement is a logical outcome of the AMI rollout in SDG&E's service territory since it should result in improvements in employee safety results over time.

However, without logical justification or a proposal by any party to do so, the final GRC decision adopts annual improvement factors for each and every performance indicator proposed by the utilities. And, as with the adoption of increasingly difficult performance incentive targets, the final GRC decision adopts annual improvement factors without also providing increased levels of funding to achieve these targets. The annual improvement factors chosen were arbitrary, not based upon any record evidence in the GRC proceeding and not consistent with the operational challenges facing the utilities. Further, the application of the annual improvement factors in one case (CS – Field Visit Satisfaction) results in a target that is mathematically impossible to achieve. Such a mechanism is unreasonable, unfair, unbalanced and results in asymmetrical rewards/penalties.

#### **Operational Changes**

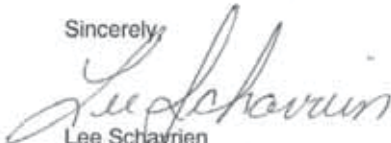
Almost one year ago, SDG&E filed a petition requesting that the Commission open an OIR to consider possible new or revised disaster management rules and procedures for electric utilities in the wake of the October 2007 wildfires in Southern California. This OIR would develop on a statewide basis possible new rules and standards that might be necessary to mitigate risks related to fires in the future. The Commission denied SDG&E's Petition without prejudice, and indicated that after the Consumer Protection and Safety Division issues its fire investigation

Mr. Paul Clanon  
August 29, 2008  
Page 3

report that the OIR request may be renewed. During the interim, SDG&E is considering options for operational changes related to fire prevention in its service territory, particularly during seasonal periods of elevated fire risk. Certain of the operational changes being considered could significantly impact the SAIDI, SAIFI and SAIDET performance indicator results and SDG&E's ability to achieve target levels of performance as adopted by the GRC decision. As you may be aware, SDG&E intends to re-file its request to open the OIR at the appropriate time and will likely seek in that proceeding to have its operational changes treated as excludable events for purposes of measuring SAIDI, SAIFI and SAIDET performance and to have the Commission correct the error in the SAIFI target calculation described above.

In conclusion, SoCalGas and SDG&E want the Commission to know that they remain committed to the concept of performance incentives. The utilities had hoped to find a way to reconcile the adopted CS and ER performance incentive mechanisms in the final GRC decision with operational realities. Unfortunately, this could not be accomplished. For any performance incentive mechanism to be successful it must be properly calibrated, appropriately funded, be well-balanced and result in symmetrical reward/penalty mechanisms. The adopted performance incentive mechanisms for CS and ER fail all of these tests. Regardless of the decision to reject the CS and ER performance incentive mechanisms, SoCalGas and SDG&E remain committed to providing quality customer service and maintaining a high level of electric reliability consistent with our customers' expectations.

Sincerely,



Lee Schavrien  
Senior Vice President  
Regulatory Affairs

cc: President Michael R. Peevey  
Commissioner John Bohn  
Commissioner Rachelle Chong  
Commissioner Dian Grueneich  
Commissioner Timothy Simon  
Dan Skopec  
Service List A.06-12-009/A.06-12-010





Wednesday, November 28, 2012

[Submit/Read Comments](#)

## SDG&E recognized for outstanding reliability, outage response and customer care

For the seventh consecutive year San Diego Gas & Electric (SDG&E) [took home the "Best in the West" ReliabilityOne™ award](#) at the annual PA Consulting Group (PA) ReliabilityOne and ServiceOne awards ceremony in New York City on November 27.

During the award ceremony, SDG&E was also recognized with the award for "Outstanding Response to a Major Outage Event" for the response to the Pacific Southwest Blackout, and the 2012 ServiceOne Award for outstanding customer care performance among North American utilities.

### "Best in the West"

The ReliabilityOne Award recognizes SDG&E's superior reliability performance and excellence in delivering reliable electric service to our customers.

"We are honored to be recognized for the seventh straight year as the 'Best in the West' for electric reliability," said Dave Geier, vice president of Electric

Operations for SDG&E. "Safety, reliability and customer service are the cornerstones of our business and our goal is to make sure that our employees have the tools and training to get the job done safely. We realize this kind of consistency is possible only through the dedication of all of our employees who work round-the-clock to keep the lights on for our customers."



**Best in the West:** (l-r) Mike Niggli, president and chief operating officer, Caroline Winn, vice president of Customer Services, and Dave Geier, vice president of Electric Operations, celebrate SDG&E's accomplishments in reliability, restoration of the Pacific Southwest Blackout and customer care at the annual PA Consulting Awards.

"ReliabilityOne Award winners are characterized by their total commitment to service quality," said Jeff Lewis, PA Consulting Group's ReliabilityOne Program Director. "SDG&E demonstrates its commitment to electric reliability every day from the senior leadership to the field crews and customer service representatives. To be the best in this industry, the entire organization must focus, align, and motivate around reliability."

The selection of the Reliability One Award is based on publicly available data on reliability statistics in addition to data PA has gathered independently to evaluate recipients on a regional level; statistics that measure the frequency and duration of customer outages, major events (events that occur on non-SDG&E owned infrastructure are excluded).

SDG&E has taken home top honors at the past seven ReliabilityOne awards, including the [National award in 2010](#).

### **Outstanding Response to a Major Outage**

In addition to the ReliabilityOne Award, SDG&E was recognized with the "Outstanding Response to a Major Outage Event" for the utility's response to the Pacific Southwest Blackout that left 1.4 million SDG&E customers without power.

"At SDG&E, we're committed to safety, planning and proactive communication so we can be prepared for the worst – all of which were key factors in restoring power in less than 12 hours to our entire service area," said Mike Niggli, president and chief operating officer for SDG&E. "This is just one example of the professionalism our employees demonstrate daily and their ability rise to any challenge they are faced with."




## ServiceOne Award for Customer Care

The accolades continued as SDG&E was named the joint winner of the national ServiceOne Award for providing exceptional customer service. Criteria for the award covers nearly all the functional areas within customer service operations typical for a North American utility, including the contact center, billing, payment, revenue protection, credit and collections, meter reading and safety.

"Being connected to our customers is our goal each and every day," said Caroline Winn, vice president of Customer Services for SDG&E. "To be recognized as a leader in customer service and care is a testament to our team's effort to serve as our customer's trusted energy advisor and a one-stop shop for information and services."

"Excellent customer service can only be achieved if it is a core value for a company," said Jerry Sullivan, PA's ServiceOne Program Director. "This is particularly the case in the utility sector, where increasing demands placed on customer service organizations have challenged traditional delivery strategies, business processes and modes of customer interaction. SDG&E has successfully managed to create outstanding benefits for the customer through a combination of hard work, effective leadership, and an unwavering commitment to service."

### Learn more

All utilities operating electric delivery networks in North America are eligible for consideration for the ReliabilityOne and ServiceOne awards. For more information about PA Consulting, visit: <http://www.paconsulting.com/>. 

**Comments** [[read comments](#) (0) | [submit a comment](#) | [comment guidelines](#)]

[Sempra News](#)

press release

Nov. 16, 2011, 10:24 a.m. EST

## **PA Consulting Group Recognizes North American Utilities for Excellence in Reliability and Customer Service at ReliabilityOne & ServiceOne Awards**



Nov 16, 2011 (GlobeNewswire via COMTEX) -- Award Recipients Honored for Implementing and Executing Industry-Leading Practices, Strategies and Processes That Breed Success

Con Edison and Florida Power & Light Take Home Top Honors

NEW YORK, Nov. 16, 2011 (GLOBE NEWSWIRE) -- Last night, PA Consulting Group announced the recipients of its annual ReliabilityOne(TM) and ServiceOne Awards - widely respected as prestigious honors of the electric utility industry - at a reception at 7 World Trade Center in New York, before an audience that included senior management at leading utilities, industry regulators and energy industry experts. PA Consulting Group's ReliabilityOne(TM) awards recognize electric utilities for providing their customers with the highest levels of reliability in the industry, while the ServiceOne awards recognize companies for providing exceptional service to their customers.

### ReliabilityOne(TM) Awards

PA Consulting Group recognized five Regional ReliabilityOne(TM) winners from utilities across the US. The selections were based on overall system wide performance in both outage duration and frequency. PA Consulting awarded its annual National ReliabilityOne(TM) Excellence Award to one of its regional winners that demonstrated sustained leadership, innovation and achievement in the area of electric reliability.

This year's National ReliabilityOne(TM) Excellence Award was presented to: Consolidated Edison Company of New York. Con Edison provides electric service to more than 3 million customers in New York City and most of Westchester County, and provides natural gas service in Manhattan, the Bronx, and parts of Queens and Westchester. Con Edison also owns and operates the world's largest district steam system, providing steam service in most of Manhattan.

This year's five Regional ReliabilityOne(TM) awards recipients are:

- Northeast - Con Edison
- Mid-Atlantic - Public Service Electric & Gas Company
- Midwest - We Energies

- Plains - Kansas City Power & Light Company
- West - San Diego Gas & Electric

This year's Overall Outstanding System-Wide Reliability Performance Winner: Con Edison

Con Edison's average customer experienced outages of just 20 minutes for the entire year -- this is 85% better than the industry average.

This year's winner for Outstanding Response to a Major Outage Event: Public Service Electric & Gas Company

PSE&G's response to the storm of March 13, 2010, categorized as the worst in the company's history, was extremely well managed and effective. Due to proficient planning and proactive communication, PSE&G's restoration efforts were a success.

The electric industry is facing significant investment needs associated with aging infrastructure coupled with rate pressures related to the current economic slowdown that are testing management's skill and creativity, according to Jeff Lewis, PA Consulting Group's ReliabilityOne(TM) Program Director. "In the face of these challenges, these organizations have maintained the highest levels of reliability for their customers. Each ReliabilityOne(TM) award recipient has demonstrated outstanding performance in reliability and restoration and has created a strong organizational culture focused on reliability."

Polaris ServiceOne Awards

PA Consulting Group also recognized those utilities that excel in the area of customer service and care with the presentation of the ServiceOne Awards.

This year's recipient of the ServiceOne Award is Florida Power & Light.

Florida Power & Light - an eight-time award winner - serves 4.5 million customers throughout Florida and is one of the largest rate-regulated utilities in the United States.

This year's ServiceOne Balanced Scorecard Achievement Award recipients are:

- Contact Center - Florida Power & Light
- Field Service - Florida Power & Light
- Meter Reading - DTE Energy
- Meter Reading - Florida Power & Light
- Billing - Florida Power & Light
- Payment - Commonwealth Edison
- Credit & Collections - San Diego & Gas Electric

ServiceOne Awards recognize companies for providing exceptional service to their customers as determined by a set of 25 measures of excellence. ServiceOne Balanced Scorecard Achievement Awards recognize companies that provide outstanding performance within selected areas of Customer Service. While PA Consulting Group administers the Polaris ServiceOne program, an advisory committee consisting of members within the Polaris program provides advice regarding its content and criteria.

"Leading customer service organizations achieve success by empowering their employees to put their customer's needs at the front of everything they do," said Gregg Edeson, PA Consulting Group's ServiceOne Program Director. "The companies who have been named ServiceOne award winners for customer service have set the standard in the energy utilities industry by enabling staff with the information, tools and leadership necessary to foster a customer service-oriented culture."

For more information on PA Consulting Group's work in the US energy market, visit [www.paconsulting.com/energy](http://www.paconsulting.com/energy) .

#### About PA Consulting Group

PA Consulting Group is a leading management and IT consulting and technology firm. Independent and employee-owned, PA Consulting operates globally in more than 30 countries and transforms the performance of major organizations in both private and public sectors. From initial idea generation and strategy development through to detailed implementation, PA Consulting delivers significant and tangible results. PA Consulting has outstanding technology development capability; a unique breadth of skills from strategy to performance improvement, HR to IT; and strong expertise in communications, defense, energy, financial services, government and public services, healthcare, international development, manufacturing and water. For more information about PA Consulting Group, please visit [www.paconsulting.com](http://www.paconsulting.com) .

###

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The following files are available for download:

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