

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

**ENERGY DIVISION**

**RESOLUTION E-4119  
April 24, 2008**

**RESOLUTION**

**Resolution E-4119. Pacific Gas and Electric Company (PG&E) requests the Commission to adopt a Reliability Performance Incentive Mechanism (RPIM) reward of \$151,899 based on its performance for 2006. Approved.**

**By Advice Letter 3078-E dated July 2, 2007.**

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**SUMMARY**

**The Commission approves PG&E's Advice Letter 3078-E submitted to adopt a Reliability Performance Incentive Mechanism (RPIM) reward of \$151,899 for performance year 2006.** When it files for its third and final performance year 2007 PG&E is to use the same method of including and excluding outages from the RPIM indices as it did for years 2006 and 2005. Consistent with Resolution E-4003, the 2006 reward results of the RPIM shall be recovered through PG&E's Distribution Revenue Adjustment Mechanism (DRAM). PG&E shall file an internal audit of the data that supports its RPIM filing to confirm that the error rate remains low.

**BACKGROUND**

**Electric utilities report reliability indices to the Commission annually.** SAIDI and SAIFI measure how long and how often electric service is interrupted. Decision (D) 96-09-045 requires electric utilities to maintain information adequate to calculate three reliability indices by circuit, district, and division, and to report them by March 1 every year :

System Average Interruption Duration Index (SAIDI)

SAIDI is defined as the total minutes of sustained customer interruptions divided by the total number of customers in the PG&E system, expressed in minutes per average customer per year.

System Average Interruption Frequency Index (SAIFI)

SAIFI is defined as the total number of sustained customer interruptions divided by the total number of customers, expressed in interruptions per customer per year.

Momentary Average Interruption Frequency Index (MAIFI)

MAIFI is defined as the total number of momentary customer interruptions divided by the total number of customers, expressed as momentary interruptions per customer per year.

Sustained outages last 5 minutes or more while momentary outages last less than 5 minutes.

**Severe weather raises outages and can raise outage indices.** An insufficient number of restoration personnel and low efficiency of utility operations are factors causing longer outages and can be flagged by upward trends in the SAIDI index. For SAIFI, major factors causing more frequent outages and the resulting upward trend are insufficient maintenance, and lower quality procurement standards.

When calculating SAIFI and the other indices from raw outage data utilities may exclude (ignore) planned outages for maintenance for example, as well as events that meet the definition of an “excludable major event” in D.96-09-045, Appendix A.

**PG&E used multiple criteria to define the beginning and end of an excludable major event outage.** D. 96-09-045 defines an excludable major event as (1) an event caused by earthquake, fire, or storms of sufficient intensity to give rise to a state of emergency being declared by the government or (2) any other disaster that affects more than 15% of the system facilities or 10% of the utility’s customers. However, the Commission does not have a policy in place to define the beginning or end point of an excludable major outage event.

PG&E uses a 48-hour sliding window to identify when at least 10 percent or about one-half million of its customers (meters) have incurred a sustained outage cumulatively during the window. After an event meets the 10% criterion for an excludable Major Outage, PG&E reviews the number of customer interruptions that occurred on the calendar days before and after the event. The time-period of the major event is the integral number of consecutive days that exceed 30,000 customer-interruptions per day (not including the momentary interruptions). PG&E indicates that the 30,000 customer-interruptions value is based on its experience with major events, which are typically storm-related. PG&E has used this process to interpret the beginning or end of an excludable major outage event since 1996.

**In 2004 the Commission adopted a Reliability Performance Incentive Mechanism (RPIM) for PG&E.** The Commission’s Decision (D) 04-10-034 adopted the RPIM. Table 1 below shows the target metrics and incentive levels adopted in the decision for performance year 2006. PG&E is rewarded for achieving outage duration and frequency levels below the lower limits of the deadbands, and is penalized for SAIDI and SAIFI values that rise above the deadbands. No incentive applies to variability falling inside the deadband

limits, and no incentive greater than the \$12 million maximum shown applies to performance outside the liveband limits.

**Table 1  
 PG&E's Target Metrics and Incentive Levels for 2006**

<i>Limit</i>	<i>Liveband Lower Limit</i>	<i>Deadband Lower Limit</i>	<i>Target</i>	<i>Deadband for 2006</i>	<i>Liveband Upper Limit</i>	<i>Upper</i>
SAIDI excluding Major Events (Minutes Duration / Customer)	135.2	151	161	171	186.8	
SAIFI excluding Major Events (Interruptions/Customer)	1.08	1.23	1.33	1.43	1.58	
Max Annual Reward/Penalty million		+ \$12 million		None	None	None - \$12
Incentive per Minute change in SAIDI	+\$759,494 / Min		None	None	None	- \$759,494 / min
Incentive per 0.01 Interruptions change in SAIFI	+\$800,000/0.01 Int.		None	None	None	- \$800,000 / 0.01 Int

When the Commission adopted PG&E's RPIM it assumed PG&E's interpretation of the length of an outage using a sliding 48-hour window as described above. PG&E should continue using this method and submitting its data, per Resolution E-4003, to support the time spans of each year's excludable major outage events for its final RPIM advice letter filing for year 2007 performance.

**PG&E's Advice Letter 3078-E filed on July 2, 2007 requests approval of the \$151,899 reward results of the RPIM for 2006 and authority to incorporate the results into the Distribution Revenue Adjustment Mechanism (DRAM).** DRAM is a mechanism in which PG&E's authorized revenue requirement is compared to actual revenues recovered through of rates. The balance in the DRAM is amortized annually in rates.

PG&E in its March 1, 2007 Reliability Annual Report calculated rewards or penalties under the RPIM for 2006. PG&E classified as Excludable Major Events in 2006 those electric outages that occurred in certain divisions on January 3-5, February 26-28, March 2-5, March 9-14, April 4-5, and July 21-27; and in the entire system on January 1 and December 26-28, 2006.

PG&E reported 150.8 minutes/customer for SAIDI, which is 0.2 minutes/customer lower than the 151 minutes/customer limit of the lower end of the deadband, resulting in the award of \$151,899.<sup>1</sup> The SAIFI value of 1.273, however, fell within the deadband limits of 1.23 to 1.33 interruptions per customer, and triggered no reward or penalty.

**PG&E corrected its Reliability Report for 2006 but did not change underlying data or indices.** The error did not affect the report's results because it was a typographical error in a table of the report, and not in the underlying data.

## **NOTICE**

Notice of AL 3078-E was made by Publication in the Commission's Daily Calendar on July 2, 2007.

## **PROTESTS**

The Commission received a protest from The Utility Reform Network (TURN) on July 23, 2007, and an amended protest on July 27, 2007. PG&E filed a reply on August 3, 2007.

The protest and PG&E's reply are summarized below as filed. In the Discussion section following, the major points are consolidated and discussed together with PG&E's reply and staff's conclusions.

### **TURN made the following comments in its July 23, 2007 protest:**

- PG&E inappropriately modifies the methodology used to calculate penalties and rewards under RPIM.
- The reliability targets were set based on historical major event exclusions. If PG&E is now excluding more events, PG&E's practice is no longer consistent with the target.
- TURN compares major events excluded by PG&E in 2006 with prior year events which were not excluded despite similar weather conditions or a greater number of customers affected.
- There are 7 major events in 2006, versus 1 or 2 in each of the prior 9 years.
- Thirty-three days of major events were excluded in 2006 versus a handful of days in many past years, with a maximum of 13.
- Roughly 130 minutes of SAIDI were excluded in 2006, the third highest exclusion of the last decade.
- PG&E seeks an unjustified and disproportionate exclusion of major events in 2006. The basis for several excluded 2006 storms is a Governor's Proclamation of a state of emergency with respect to roads that covers a period of four months.

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<sup>1</sup> 0.2 minutes x \$759,494/minute = \$151,899.

- PG&E is excluding its reliability performance for one third of a year, and requests rewards based on its performance “but for” the winter season.
- The Commission should deny exclusion of major events in 2006 that occurred over Feb 26-28, March 2-5, and March 9-14 which results in a penalty of \$5,092,658 for 2006 after recalculating the reliability indices.
- The declarations for the July 2006 heat storm refer to agricultural production losses that prompted the USDA to issue a disaster designation. The USDA declaration entitles farmers to low-interest loans. The U.S. SBA Designation of Economic Injury Disaster allowed small businesses to obtain loan without other credit. There is no discernable linkage between these and PG&E’s performance in the heat storm.
- In A.06-11-005 (PG&E’s CEMA application), the Alternate Proposed Decision of Commissioner Chong finds the absence of a direct link between the emergency declarations and damage to utility facilities.
- Past emergency declarations have been with respect to a single event.
- The Governor’s Proclamation of May 10, 2006 is specific to roadway damages and enables the California Department of Transportation to request funds through the Federal Highway Administration’s Emergency Relief Program. PG&E has made no showing that the roadway damages referenced in this Proclamation are linked to PG&E’s ability to provide reliable service.
- The Commission should be aware of potential pressure from the utility to informally request that the Governor declare a state of emergency.
- The Commission should recalculate the RPIM award to include improperly omitted outages.

**In its July 27, 2007 amended protest TURN raised the following additional concerns:**

- Whether the July 2006 heat storm qualified as an excludable event based on 10% of customers out.
- Whether the appropriate 48-hour window has been excluded, and only that 48-hour period has been excluded by PG&E.
- The Commission should order PG&E to provide the number of customers out, and SAIDI and SAIFI for the affected areas on each day of the July 2006 heat storm.
- The Commission should clarify whether PG&E asserts that the July 2006 heat storm met the criterion for exclusion based on the 10% customer rule. If so, PG&E should provide the time periods of exclusion, the areas, and the excludable SAIDI and SAIFI for that time period
- If the heat storm is not an excludable major event, PG&E would be subject to a \$16.9 million penalty, a total of \$22 million for 2006.

**On August 3, 2007 PG&E submitted the following responses to TURN’s protest and amendment of protest:**

Overview

- Severe weather is the simple reason for more events being excluded in 2006.
- The same unusual heavy rain of the winter storm that harms roads also affects utility infrastructure.

- PG&E claims that the July heat storm qualified as an excludable major event without reference to the 10% customer rule, because there was a governmental declaration of emergency. PG&E also states that the event meets the spirit of the requirement because it was an aberrational weather event that seriously skewed the 2006 RPIM results.
- When excluding the July heat storm PG&E does not rely on the rule that permits excluding an event when more than 10% of customers are out within a 48-hour window.
- PG&E discovered a typographical error on page 5, line 33 of the March 1 annual reliability report. The SAIFI value for the Peninsula Division for March 10, 2006, should be 0.005, not the 0.05 value originally shown.

#### Historical Comparisons

- PG&E does not exclude all outages on days when there are excludable major events.
- In Resolution E-4003, the Commission approved the following methodology: For each division, during the same time periods under consideration, PG&E compares the daily number of sustained outages, customer minutes and customer interruptions to the corresponding five-year average. PG&E excludes any day where the number of sustained outages and customer minutes and customer interruptions for each division exceed the five-year average for that division by a factor of two or more. PG&E followed this methodology here.
- PG&E only excluded a day for a division where the number of sustained outages and customer minutes and customer interruptions for that division exceed the five-year average for that division by a factor of two or more.
- It would be perverse logic to refuse to exclude outages from those unusually heavy storms just because you end up excluding more “days” or events than in years where the storms were not of sufficient severity to give rise to a declaration of emergency.
- A far better comparison than “days” of exclusion is the number of minutes or outages excluded due to excludable major events. 2006 is the third largest year in terms of excludable major events.
- Table 1 of TURN’s protest is factually wrong. There were two excludable major events covering five days for 2005, not one event and three days.
- Table 2 of TURN’s protest has duplications and omitted two excludable major events.
- PG&E has excluded 25 days of major events in 1995.

#### Excluded Outages

- The Commission has approved SCE’s advice letter which excluded 19 days from its 2005 reliability results.
- Nothing in Appendix A of D.96-09-045 requires that the governmental declaration of emergency cover a narrow time period or that it refer to damages to electrical infrastructure.
- PG&E’s facilities and restoration personnel are impacted by the same storms as the roads.
- PG&E has reviewed all Proclamations of a state of emergency by Governors Wilson, Davis, and Schwarzenegger over the past decade, and none of them refer to storms damaging electric utility infrastructure.
- PG&E has excluded only “57 division days” based on the Governor’s declaration of emergency, or less than one percent of the year.

- CEMA and RPIM do not have the same standard. The difference is that under RPIM, the key is the intensity of the storm.
- The Commission has previously accepted federal disaster declarations for the RPIM.

#### July 2006 Heat Storm

- PG&E's service territory suffered the highest three-day average temperatures in over 57 years, with all-time records in many locations. The most severe heat occurred during the seven-day period from July 21 through July 27, 2006.
- The heat storm stressed PG&E's distribution systems because the equipment did not have a chance to cool down at night.
- On average, PG&E experiences about 60 sustained outages per day during the month of July. During the period of July 21-27, 2006, there were 243 average sustained outages per day, over four times the normal monthly average.
- Between July 22 and July 25, 2006, PG&E's San Jose Division experienced an average of 55 outages a day, a value nearly equal to the entire PG&E system on an average day, and almost 20 times more than the San Jose Division on a typical day.

### **DISCUSSION**

**The main issue in this Advice Letter is the number of outages that PG&E may exclude from its reliability calculations.**

**TURN in its protest states that PG&E seeks to omit on the basis of a Governor's Proclamation a period of four months** or virtually the whole winter, and that PG&E requests rewards based on its performance "but for" the winter season.

**PG&E counters that it excluded less than 1% of all outages during the 'one-third of a year' period** to which the Proclamation applied. Under the methodology approved in Resolution E-4003 some outages are not excluded even on days when there are excludable major events. Based on the Governor's declaration of emergency PG&E excluded only "57 division days" out of (365 x 18 divisions) or 6,570 division-days, less than one percent of the year.

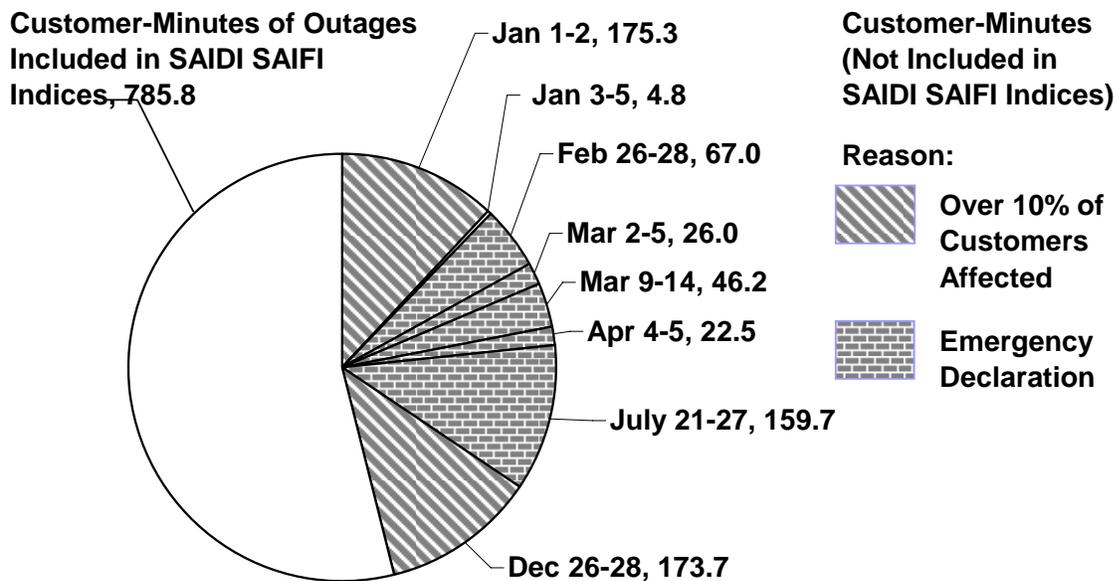
PG&E excluded only those outages which occurred in 1) a Division having at least half of its area in counties where the Proclamation applied; and 2) which occurred within sequential days of the storm period; and 3) which had customer-minute outage statistics that were at least twice the average of the previous five years.

**Consistent criteria should be used to determine excludable major events.** Decision D.96-09-045 established by the Commission determines whether PG&E has appropriately excluded outages from its reliability indices calculations. In addition Resolution E-4003 provides further direction and guidelines about excluding certain outages.

On March 20, 2007, PG&E submitted data to substantiate the results of its 2007 Annual Reliability Report covering performance year 2006. It contains eight excludable major

events, two of them based on the 10% criterion and six on the government proclamation of a state of emergency. PG&E provided a summary of reliability indices including and excluding major events (Figure 1 and Table 2).

**Figure 1**  
**2006 SAIDI and SAIFI Include About One-Half of All**  
**Customer-Minutes and Exclude One-Quarter Each for:**  
**10% Criterion and Emergency Status**  
**(Millions)**



**Table 2**  
**PG&E SAIDI and SAIFI Include Over One-Half of All Outage Customer-Minutes and Exclude About One-Quarter Each for: Over 10% of Customers Affected; and Emergency Status Proclaimed**

		<i>SAIDI</i>	<i>SAIFI</i>	<i>Number of Experienced Outages</i>	<i>Sustained Outages</i>	<i>Sustained Customer-minutes</i>	
		<i>(Minutes)</i>	<i>(Interruptions)</i>			<i>(Millions)</i>	
<b>2006 Results Including Major Events</b>		280.5	1.728	26,828	9,002,465	1,461.0	
<b>Major Events and Reason for Exclusion-</b>							
10% Criteria	Jan 1- 2	33.6	0.092	1,211	481,606	175.3	
Government Declaration	Jan 3- 5	0.9	0.004	61	22,466	4.8	
Govt. Declaration -	Feb 26- 28		12.9	0.064	714	331,813	67.0
Govt. Declaration -	Mar 2- 5	55.0	0.022	369	113,235	26.0	
Govt. Declaration -	Mar 9-14		8.9	0.027	357	138,997	46.2
Govt. Declaration -	Apr 4- 5	4.3	0.020	177	102,052	22.5	
Govt. Declaration -	July 21- 27		30.7	0.125	1,300	651,217	159.7
10% Criteria -	Dec 26- 28		33.3	0.101	1,158	528,496	173.7
<b>2006 Results Excluding Major Events</b>		150.8	1.273	21,481	6,632,583	785.8	

PG&E also provided descriptions of each of the sustained outages that occurred in 2006, SAIDI and SAIFI calculations, and calculations that it uses to determine counties that are eligible for exclusion under the Governor’s proclamations. Energy Division staff used this information to verify reported SAIDI and SAIFI values and excludable major events.

**Outages occurring during a state of emergency covered by a governmental declaration may be excluded.**

Appendix A of D.96-09-045 defines an excludable major event as an event caused by earthquake, fire or storms of sufficient intensity to give rise to a state of emergency declared by the government, independent of the numbers of customers or interruptions. The events that PG&E identified as being events covered by government declarations all satisfy the definition in D.96-09-045.

However, the Decision did not establish how to exclude outages in a Division that includes some counties in a state of emergency along with others not having such a status.

In its prior RPIM filing for performance year 2005 PG&E proposed the following process to determine whether to exclude such outages. In Resolution E-4003 the Commission adopted the process, and PG&E applied it here to performance year 2006 RPIM.

- Reviewed the affected county boundaries relative to its Division boundaries.
- Determined the percentage of the area of each division covered by the counties identified in the Governor’s proclamations.

- Reviewed outage data from the affected divisions.
- Determined the daily average, by month, of the numbers of sustained outages, customer interruptions, and customer minutes for each division using data from 2001 to 2005.
- For each division, during the same time periods under consideration, PG&E compares the daily number of sustained outages, customer minutes and customer interruptions to the corresponding five-year average. PG&E excludes any day where the number of sustained outages and customer minutes and customer interruptions for each division exceed the five-year average for that division by a factor of two or more.
- From December 19, 2005 to April 16, 2006, PG&E found fourteen divisions had more than fifty percent of their area covered by counties declared to be in a state of emergency: North Bay, North Coast, Peninsula, Sacramento, Sierra, Stockton, Diablo, East Bay, Fresno, Los Padres, Yosemite, Central Coast, North Valley and Mission (Appendix A). For the period from July 1 to July 31, 2006, PG&E found all its divisions except San Francisco had more than fifty percent of their area covered by counties declared to be in a state of emergency (Appendix B). However, PG&E did not exclude the North Valley division, since the number of sustained outages and customer minutes and customer interruptions did not exceed the five-year average for that division by a factor of two or more.

**Energy Division reviewed each day excluded or potentially excludable and found instances where PG&E's interpretations favored ratepayers.** PG&E did not exclude certain outages simply because they were near in time or location to clearly excludable outages. PG&E identified four major events that occurred during the several months covered by the Governor's May 10, 2006 Proclamation. These four major events were excluded from the SAIDI and SAIFI calculations. Outages that occurred on days not contiguous with the four major events were not excluded, but included in the SAIDI and SAIFI calculations.

Energy Division compared PG&E's submittals and procedures related to reliability calculations with the criteria established by Resolution E-4003 and D.96-09-045. The Governor's Emergency Proclamations in years prior to 2006 and prior to the RPIM did not specifically apply to damage to utility infrastructure but were accepted by the Commission as justifying exclusions. We observe that precedent here.

**For a single major event PG&E should exclude from its reliability indices only outages that occur on contiguous days.** In filing for performance year 2006 PG&E applied a methodology consistent with its year 2005 RPIM filing and with Resolution E-4003 when excluding major events from its SAIDI and SAIFI calculations. For its year 2007 filing we adopt the additional criterion consistent with this year 2006 filing to not exclude individual days. PG&E should exclude only contiguous days for a single major event.

**The Commission adopts PG&E's reasonable percentage of 50%.** PG&E's method of excluding outages, while systematic, involved a judgment that where counties declared to be in a state of emergency make up at least 50% of the area of any given PG&E Division, then a day's outages in that Division can be excluded as beyond PG&E's control. We adopt PG&E's methodology here.

**PG&E should include in its next RPIM filing for year 2007**, in order to facilitate analysis by Energy Division and parties:

- a) All data that it considered in decisions to include or exclude outages from its calculation of reward or penalty, and
- b) The results of its internal audit of its internal reporting of 2007 outage data, to confirm that the error rate remains low.

### **COMMENTS**

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Section 311(g)(2) provides that this 30-day period may be reduced or waived upon the stipulation of all parties in the proceeding.

The 30-day comment period for the draft of this resolution was neither waived or reduced. Accordingly, this draft resolution was mailed to parties for comments, and will be placed on the Commission's agenda no earlier than 30 days from the date of mailing.

The Commission received comments from The Utility Reform Network (TURN) on March 24, 2008 and a reply comment from PG&E on April 1, 2008.

#### **TURN made the following comments on March 24, 2008 on the draft Resolution:**

- The Energy Division should include in PG&E's RPIM the outages of February 26-28, March 2-5, and March 9-14.
- RPIM should not exclude outages simply because they occur during conditions beyond the utility's control.
- The staff chose to rely upon the resolution addressing PG&E's 2005 performance, a year when there was no heat storm and no proclamation covering a span of four months. The Energy Division inappropriately permits PG&E to exclude events based on proclamations of disaster that are far more local in nature than those the Commission had in mind when it issued D.96-09-045.
- The draft resolution's outcome is inconsistent with the Commission's discussion in D.96-09-045 of how to gauge a utility's reliability performance in the face of "major outage." In D.96-09-045 the Commission determined that a "major outage" or "major event" was the result of a state of emergency declared by a competent state or federal authority, or an event that knocked out more than 15% of the system or 10% of the utility's customers.
- In 96-09-045 the Commission intended that a "state of emergency" was interpreted to be a significant event that qualifies for Catastrophic Event Memorandum Account (CEMA) treatment.
- PG&E is proposing to exclude several outages that are not due to specific major disasters.

- The draft Resolution’s treatment of the 2006 heat storm is inconsistent with the decision addressing the same storm for CEMA purposes.
- D.07-07-041 determined that the 2006 heat storm did not warrant CEMA treatment.
- The Resolution should explain why the criteria for treating the heat storm should be “consistent” with those used in the Resolution for 2005 performance (when no heat storm was included) rather than the more recent decision addressing the same 2006 heat storm (D.07-07-041).
- The Resolution should explain why an event that the Commission has expressly found does not qualify as a “disaster” warranting CEMA treatment should be treated as an excludable event for purposes of measuring the utility’s performance under RPIM.

**On April 1, 2008, PG&E submitted the following responses to TURN’s comments on draft Resolution:**

- PG&E has consistently applied Appendix A of D.96-09-045, both in letter and in spirit.
- The same unusually heavy rain that harms roads also affects utility infrastructure and restoration efforts.
- PG&E’s advice letter filing, and the draft Resolution, do what TURN says it wants: they follow the methodology approved in Resolution E-4003.
- TURN has not responded to the numerous factual errors and that 2006 was only the third largest year of the past decade in terms of excludable major events.
- PG&E has not excluded any outage it wanted to exclude: PG&E has excluded outages that are properly excludable under the rules adopted by D.96-09-045 and Resolution E-4003. It is TURN that wants to “include” outages that it feels should be included at its “discretion”, notwithstanding Commission precedent to the contrary.
- D.96-09-045 establishes 1) the test for excluding “major events,” not “catastrophic events,” and 2) that the standard for what constitutes an excludable major event includes “storms of sufficient intensity to give rise to a state of emergency being declared by the government.”
- TURN’s argument has two fatal flaws. First, CEMA and RPIM have different standards, and under RPIM the key is the intensity of the storm, which no one disputes was unprecedented. Second, unlike CEMA, the CPUC has previously accepted federal disaster declarations for the RPIM.
- The heat storm gave rise to several declarations of emergency being declared by the government.
- On April 18, 2006, the Commission Division approved Southern California Edison’s advice letter 1972-E regarding its 2005 reliability incentive mechanism results, which had excluded 19 days from SCE’s 2005 reliability incentive mechanism results based on designations of natural disaster for those days by the Federal Emergency Management Agency (FEMA) due to a series of severe storms. The FEMA designations make no mention of damage to utility property from the storm.

Discussion of Comments and Reply Comments on the Draft Resolution

TURN suggests that the Energy Division should include in PG&E's RPIM the outages of February 26-28, March 2-5, and March 9-14. However, these outages fall within the May 10, 2006 Governor's Proclamation; and PG&E used a reasonable process consistent with Resolution E-4003 to determine that these are excludable events.

The Energy Division agrees with TURN that the RPIM should not exclude outages simply because they occur during conditions beyond the utility's control, but should be determined by the criteria specified in Appendix A of D.96-09-045.

Resolution E-4003 provides direction and guidelines defining the duration of outages, but D.96-09-045 contains the basic definition of an excludable major event.

TURN argues that PG&E should not exclude outages related to the July 2006 heat storm from the RPIM since the Commission found in D.07-07-041 that the costs PG&E incurred in response to the July 2006 heat storm did not satisfy the requirements for CEMA recovery. Energy Division disagrees that the standard the Commission applied in D.07-07-041 for CEMA purposes should be applied to the RPIM.

In CEMA cases the Commission applies the requirements for CEMA as adopted in Resolution E-3238, consistent with Public Utilities Code Section 454.9. D.07-07-041, therefore rejected the several disaster declarations (none of which was issued by the Governor or the President) as not coming from a "competent state or federal authority" (as required by Resolution E-3238) because there was no direct link between the declarations made by several government agencies and the costs incurred by PG&E to restore service. Therefore, the Commission did not authorize CEMA recovery.

D.96-09-045, on the other hand, defines an excludable major event as "an event caused by earthquake, fire, or storms of sufficient intensity to give rise to a state of emergency being declared by the government."<sup>2</sup> Unlike the standard applied in D.07-07-041, the RPIM standard specifically refers to the "intensity" of the storm. A qualifying event is one that is of sufficient intensity to give rise to an emergency declaration. In the case of the July 2006 heat storm, outages were some four times the normal levels assumed when rates were set, indicating that the storm was intense. Furthermore, there were several government emergency declarations related to the same heat storm. Therefore, the outages during the July 2006 heat storm should be excluded based on the criteria in D.96-09-045 because they were due to a heat storm of sufficient intensity to give rise to a state of emergency being declared by several governmental entities.

In the context of the RPIM mechanism, we are considering whether a utility has adequately managed or avoided outages, in order to determine a reward or penalty; however, we allow certain pre-defined "major events" to be excluded. Not all of these major events require a governmental declaration. In the context of the CEMA, we consider whether a utility

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1. <sup>2</sup> D.96-09-045, Appendix A.

should be allowed to recover in rates expenses beyond what has already been authorized in its general rates. A disaster declaration by a “competent state or federal authority” is required in all situations under CEMA. We believe that given the different purposes of the RPIM and the CEMA, it is not necessary to have the kind of direct link, required for CEMA, in the case of the RPIM incentives.

## **FINDINGS**

1. Ordering Paragraph 8. of Decision 04-10-034 adopted a Reliability Performance Incentive Mechanism under which PG&E is rewarded for achieving outage duration and frequency levels (SAIDI and SAIFI values) below the lower limits of the deadbands, and is penalized for SAIDI and SAIFI values that rise above the deadbands.
2. Decision (D) 96-09-045, effective September 4, 1996 requires each electric utility to maintain information adequate to calculate reliability indices by circuit, district, and division, and to report the indices annually to Energy Division.
3. D.96-09-045 allows electric utilities to exclude planned outages and excludable major events from reliability indices calculations.
4. A government proclamation of a state of emergency in a county for one day makes the day’s outages in that county eligible for exclusion from PG&E’s reliability indices.
5. PG&E calculates reliability indices on a Division basis not a county basis.
6. Resolution E-4003 approved PG&E’s proposed
  - a) Treatment of outages in a Division that includes some counties (or portions) in a declared state of emergency along with other counties (or portions) that are not; and
  - b) A sliding-scale definition of the beginning and end points of an excludable major outage event.
7. PG&E’s Advice Letter 3078-E filed on July 2, 2007 requests approval of the \$151,899 reward results of the RPIM for 2006 and authority to incorporate the results into its Distribution Revenue Adjustment Mechanism (DRAM).
8. The Commission received protests from The Utility Reform Network (TURN) on July 23, 2007, and an amended protest on July 27, 2007. PG&E filed its reply on August 3, 2007.
9. PG&E excluded outages in prior years based on government proclamations of emergency which were silent with respect to utility infrastructure and the Commission accepted the exclusions.
10. PG&E applied a consistent methodology in determining excludable major events for its year 2006 filing and its SAIDI and SAIFI calculations are reasonable.
11. In its 2007 RPIM filing PG&E should apply the additional criterion of excluding only

contiguous days for a single major event when calculating its system reliability indices.

12. PG&E may continue to include its RPIM results in its Distribution Revenue Adjustment Mechanism (DRAM).

13. PG&E should continue submitting the following information with its final RPIM filing for performance year 2007:

- Results of the outage reporting internal audit for 2007.
- Data to support the time spans of each year's excludable major outage event.
- Data to support outage exclusions during each declared state of emergency.

**THEREFORE, IT IS ORDERED THAT:**

1. PG&E's Advice Letter 3078-E is approved in order to incorporate PG&E's Reliability Performance Incentive Mechanism (RPIM) as part of its Distribution Revenue Adjustment Mechanism (DRAM), and to adopt for 2006 a RPIM reward of \$151,899.
2. PG&E's advice letter filing for performance year 2007 shall include:
  - a) Only contiguous days for a single major event;
  - b) Data supporting the start and end time of each excludable major event;
  - c) Data supporting each event excluded due to a declared state of emergency; and
  - d) Results accurate to the 85% confidence level of an audit of the outage data used to supports the filing.
  - e) All data bearing on exclusion of outages from RPIM results.
3. This Resolution is effective today.

I hereby certify that the Public Utilities Commission adopted this Resolution at its regular meeting on April 24, 2008. The following Commissioners voting favorably thereon:

/s/ Paul Clanon

Paul Clanon  
Executive Director

MICHAEL R. PEEVEY  
PRESIDENT  
DIAN M. GRUENEICH  
JOHN A. BOHN  
RACHELLE B. CHONG  
TIMOTHY ALAN SIMON  
Commissioners

On 3/1/07 and 3/20/07 PG&E submitted the data shown in Appendices A and B:

**Appendix A**

**December 19, 2005 - April 16, 2006  
 Period of the Governor's Proclamation**

**Relationship between  
 PG&E Division Boundaries and County Boundaries:**

**Outages in Entire Divisions Were Eligible for Exclusion When Over 50% of the  
 Division Area Fell in Counties Having Emergency Status**

	<i>Percent of Area of            Division Comprised of            Counties Declared to be</i>	<i>2006 Dates that Division Outage            Data was</i>
<i>Excluded from            PG&amp;E Division</i>	<i>In a State of Emergency</i>	<i>System Outage Data</i>
Central Coast	70%	2/26-28, 3/3, 3/9-12, 4/5
De Anza	8%	No exclusions
Diablo	100%	2/27-2/28
East Bay	100%	2/27
Fresno	99%	2/27, 3/3, and 4/4-5
Kern	13%	No exclusions
Los Padres	65%	2/27, 3/3, 3/12, and 4/4
Mission	100%	2/28
North Bay	100%	2/27-28
North Coast	100%	2/26-27 and 3/10
North Valley	67%	2/27-28
Peninsula	98%	2/27-28 and 3/10
Sacramento	98%	2/27
San Francisco	0%	No exclusions
San Jose	0%	No exclusions
Sierra	100%	2/27-28, 3/2-3, and 4/4-5
Stockton	100%	2/27, 3/3, 3/11-14, and 4/4-5
Yosemite	85%	2/27, 3/3-4, and 3/10-11

**Appendix B**

**July 2006 Heat Storm**

**Relationship between  
 PG&E Division Boundaries and County Boundaries:**

**Outages in Entire Divisions Were Eligible for Exclusion When Over 50% of the  
 Division Area Fell in Counties Having Emergency Status**

<i>PG&amp;E Division</i>	<i>Percent of Area of Division Comprised of Counties Declared to be in a State of Emergency</i>	<i>Dates that Division Outage Data was Excluded from System Outage Data</i>
Central Coast	91%	7/22
De Anza	100%	7/21-7/25
Diablo	100%	7/21-7/26
East Bay	100%	7/22-7/23
Fresno	100%	7/21-7/24
Kern	100%	7/24-7/25
Los Padres	100%	7/21-7/26
Mission	100%	7/21-7/26
North Bay	100%	7/21-7/24
North Coast	64%	7/22-7/23
North Valley	91%	No exclusions
Peninsula	100%	7/22-7/24
Sacramento	100%	7/21-7/24
San Francisco	0%	No exclusions
San Jose	100%	7/21-7/27
Sierra	100%	7/23
Stockton	100%	7/21-7/23
Yosemite	100%	7/22-7/23