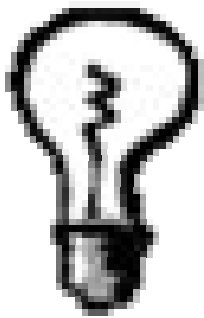


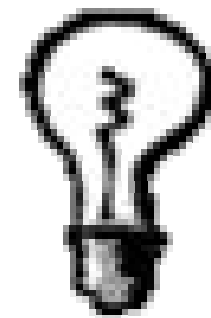
Indiana Utility Regulatory Commission



Electric Service Quality



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Utility Analyst



(compiled by our former Administrative Law Judge Andrea Brandes)

June 13, 2005

What is “Service Quality”?



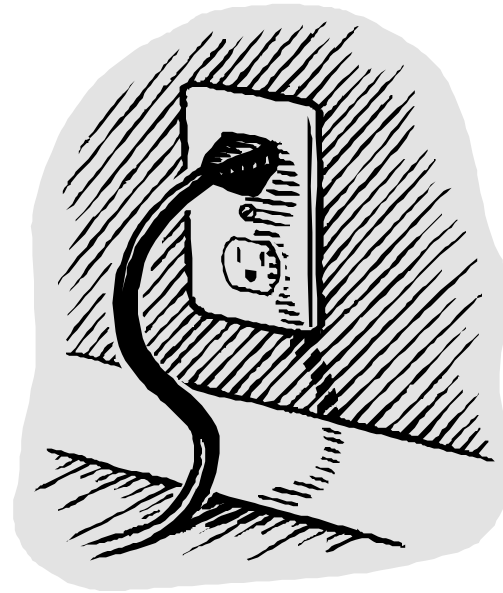
This is a broad term which includes:

- Reliability of electric service to end-use customers;
- Interaction between a utility and its customers regarding service outages and emergencies, billing questions, billing disputes; and
- Identifiable, measurable performance standards.

Prerequisites of Service Quality



1. Customers and utility must have access to each other;
2. Utility must have internal or external performance standards;
3. Informational exchanges between the utility and the regulator.



Safety

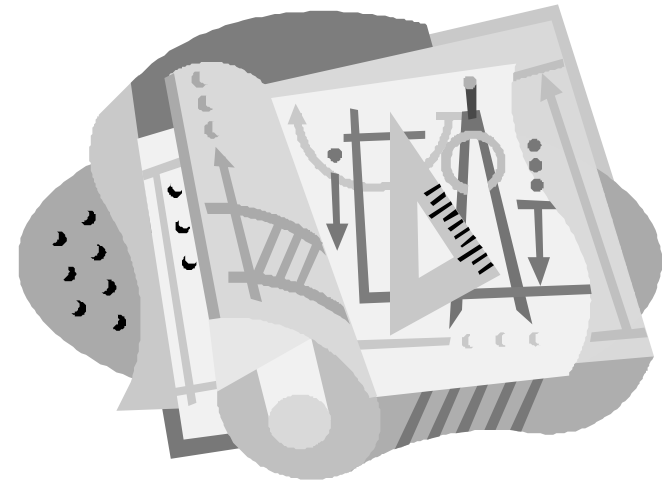
Safety is another component of service quality. Indiana public utilities are required to provide reasonably adequate service which is safe and secure. Utilities are required to maintain their equipment in compliance with the National Electrical Safety Code.





Safety Guidelines

The National Electrical Safety Code is a set of practical rules and standards compiled by engineers and industry representatives to govern the safe installation, operation, and maintenance of electric supply lines and equipment. These rules insure the safety of utility employees who may need to make repairs, as well as that of residential customers who may come into contact with downed power lines or other equipment.





Statutory Requirement

Indiana Code § 8-1-2-4

“Every public utility is required to furnish reasonably adequate service and facilities.”

What is “Reasonably Adequate Service”?



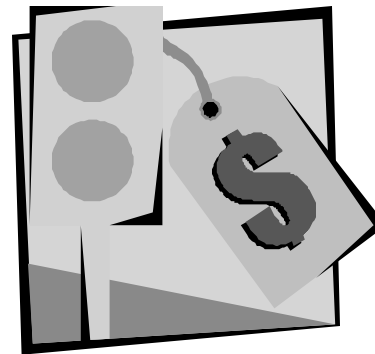
The Indiana Court of Appeals has said the IURC's purpose is to insure that public utilities provide constant, reliable, and efficient service to its customers, who are the citizens of the State of Indiana.

See Office of Utility Consumer Counselor v. Public Service Co., 463 N.E.2d 499 (Ind.App. 1984).

What is “Reasonably Adequate Service”?



Another fundamental concept of reasonably adequate service is that service be provided at nondiscriminatory prices which reflect the utility's actual costs.



Why Does Service Quality Matter?



Investor owned, for-profit utilities have a vested interest in providing quality service to customers. Interruptions or disconnections in service represent lost revenue.

Why Does Service Quality Matter?

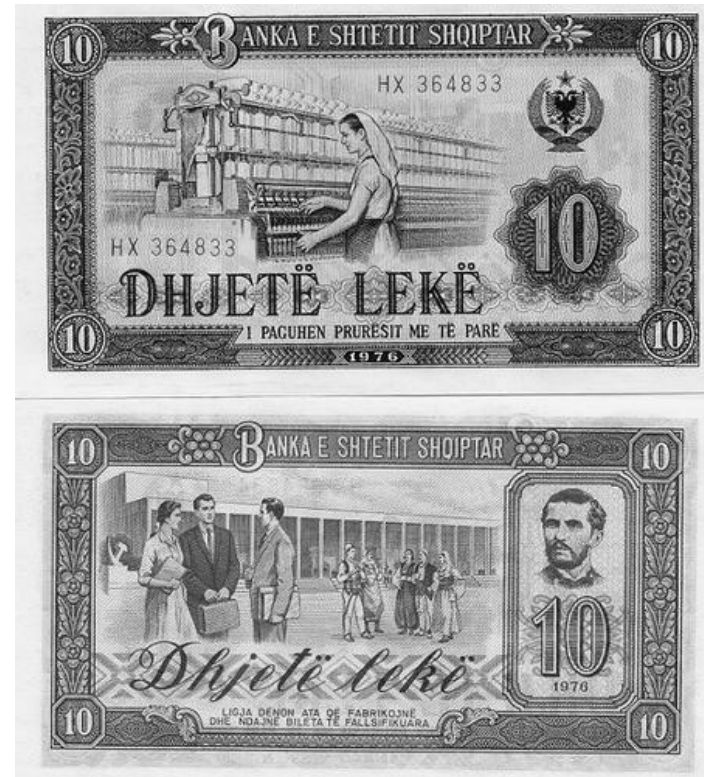
Large numbers of customer complaints can draw additional scrutiny from regulators. Poor service quality can become a media issue creating public relations problems for a utility.



Why Does Service Quality Matter?



Most importantly,
residential, commercial,
and industrial customers
PAY for a commodity which
they demand, and deserve,
to have delivered in a safe,
efficient, and reliable
manner.



Why Does Service Quality Matter?



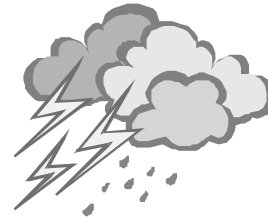
If service is going to be interrupted or out for an extended period of time, affected customers expect to know the reasons and the duration. Customers also expect to not be billed for service they did not use or receive.

Why Does Service Quality Matter?



- IURC investigation of all matters relating to Indianapolis Power and Light Company's statutory obligation to provide reasonable service, Cause No. 41962
- Order issued February 6, 2002

IP&L Service Quality Investigation




IP&L was in the process of reducing its workforce in the summer of 2001. During this time, heavy summer storms struck the Indianapolis area, leaving thousands of customers without power:

- 7512 without power for over 48 hours
- 20,706 without power for 36 to 48 hours
- 27,099 without power for at least 24 hours

The utility experienced a ten-fold increase in customer service complaints between July 1, 2001, and July 25, 2001, over its monthly average for the previous two years.

IP&L Service Quality Investigation



The parties ultimately reach a Settlement Agreement,  which established specific performance measures for IP&L based on average frequency and durations of interruptions in service for customers. The utility was also required to answer all telephone calls to its customer call center in an average of sixty seconds. The Settlement Agreement required the utility to report to the IURC on its employment and staffing levels.

IP&L Service Quality Investigation

The Settlement Agreement established financial penalties for the utility if it did not meet the performance measures: a maximum of 7 million dollars annually or up to 1.75 million dollars each quarter.



IP&L Service Quality Investigation



The Settlement Agreement also required that IP&L a issue a \$100 bill credit to customers who were without service for 36 to 48 hours.

IP&L Service Quality Investigation

IP&L voluntarily established a “bonus pool” of money from which to pay \$100 to each full-time employee at the end of each year IP&L was not penalized under the Settlement Agreement. This provided an excellent incentive for utility employees to work toward exceeding the performance measurements.



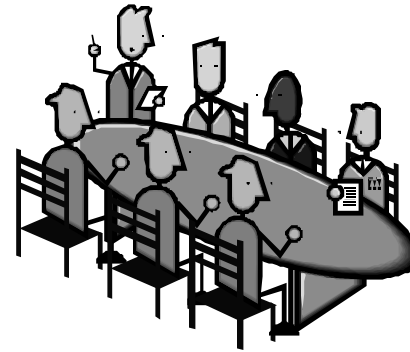


IURC Service Quality Rules

The IURC has promulgated rules on many issues which impact service quality:

- record retention by utilities
- location, inspection, and repair of meters
- meter accuracy and testing
- bills and billing adjustments
- disconnection and reconnection of service
- customer complaints
- notice to customers of rate changes
- notice to customers of their rights and responsibilities

IURC Service Quality Workshops



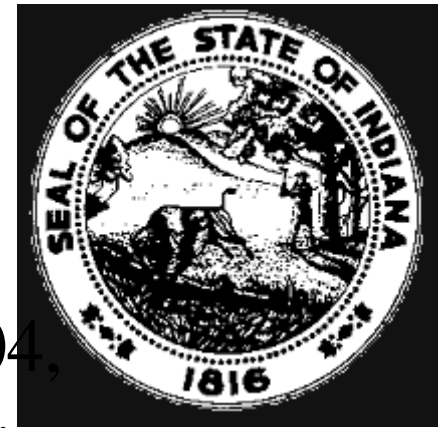
- Indiana electric utilities have increasingly relied on new technology or procedures to maintain electric service quality. However, in 2002 the IURC became concerned that technology and procedures alone may not be enough to maintain electric service quality at the highest possible level. In addition, the IURC wanted the level of reliability be consistent among electric service providers in Indiana.
- The IURC initiated a series of 5 workshops with electric utilities to address service quality issues, the IURC's new outage reporting process, and the development of reporting criteria for reliability statistics

IURC Service Quality Workshops

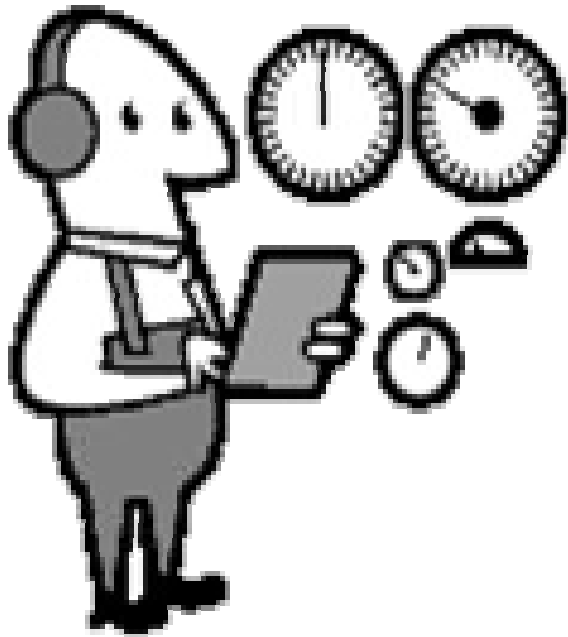


Utilities responded to these and other IURC questions:

- How do utilities identify outages--as momentary or sustained?
- How do utilities respond to and report outages?
- What are utility policies on the use of service crews?
- What information and statistics do utilities collect about outages and customer service requests?
- How do utilities relate the age of equipment to outages?
- What measures do utilities take to ensure public safety with regard to damaged or downed equipment?



IURC Service Quality Rule



On November 17, 2004, an IURC rule concerning electricity interruptions and outage reporting became effective. The rule sets forth specific reporting requirements for all regulated electric utilities when sustained outages occur.

Albanian Transitional Market Model - Considerations



KESH generation and distribution functions are being unbundled in anticipation of ultimate privatization. This unbundling can lead to special problems relating to service quality.



Albanian Transitional Market Model - Considerations



Important Issues to Consider:

- Problems can be created by unbundling and separating the transmission, distribution, meter reading, billing, and other functions.
- Customers may not know who or what entity is responsible for seeing that electricity is actually delivered.
- How will power outages be handled? By whom? Who is responsible for resolving customer inquiries and complaints?
- Who or what entity determines when a customer is disconnected?
- How will customers be certain that they are receiving the power they purchased from the source they chose if and when competition is introduced?

Albanian Transitional Market Model - Recommendations



- ✓ Set incremental goals in the next few years.
- ✓ For example, aim to increase service quality by insuring that electricity is “on” 10% more of the time than in 2004.
- ✓ Attempt progress which is measurable and identifiable.