

**BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

RULEMAKING RE: AMENDING	:	
ELECTRIC SERVICE RELIABILITY	:	
REGULATIONS AT 52 Pa. CODE	:	Docket No. L-00030161
CHAPTER 57	:	

**COMMENTS OF UGI UTILITIES, INC. –
ELECTRIC DIVISION**

UGI Utilities, Inc. – Electric Division (“UGI”) submits these comments in response to the Commission’s above-captioned rulemaking addressing electric reliability. While UGI has joined in the industry comments submitted by the Energy Association of Pennsylvania (“EAP”) at this docket, UGI’s specific comments and proposals may differ in some respects from the EAP’s, and reflect UGI’s specific circumstances.

Briefly, UGI believes:

- Current reliability initiatives have their genesis in concerns about the unintended consequences of statutory rate caps, one of which may be alleged under-investment in the EDC’s distribution system. Whatever the merits of such concerns, they should not extend to EDCs, such as UGI, that are no longer subject to such rate caps, and that have post-transition POLR settlements in place. Such EDCs should be exempted from the proposed reliability regulations.
- Alternatively, such EDCs should only be required to submit annual reports

containing the information set forth in subparts (1)-(3) of proposed §57.195(b)¹, and/or quarterly reports containing the information set forth in subparts (1)-(2) of proposed §57.195(e)² (UGI, because of its size, is only required to submit the information in subparts of (1), (2) and (5) of proposed §57.195(e)) . UGI believes the information contained in these subparts would provide a sufficient “early warning” of a possible deterioration of electric service reliability.

- Finally, if UGI is subject to the proposed regulations in their entirety, the Commission should not engage in the routine collection and dissemination of data only of relevance in a comprehensive investigation of an established downward trend in reliability.

**POST-TRANSITION EDCs
SHOULD BE EXEMPTED FROM THE PROPOSED REGULATIONS**

¹ These subparts would require the annual submission of:

- (1) An overall current assessment of the state of the system reliability in the electric distribution company’s service territory including a discussion of the electric distribution company’s current programs and procedures for providing reliable electric service.
- (2) A description of each major event that occurred during the year being reported on, including the time and duration of the event, the number of customers affected, the cause of the event and any modified procedures adopted in order to avoid or minimize the impact of similar events in the future.
- (3) A table showing the actual values of each of the reliability indices (SAIFI, CAIDI, SAIDI, and, if available, MAIFI) for the electric distribution company’s service territory for each of the preceding 3 calendar years. The report shall include the data used in calculating the indices, namely the average number of customers served, the number of sustained customer minute interruptions, the number of customers affected, and the minutes of interruption. If MAIFI values are provided, the number of customer momentary interruptions shall also be reported.

² These subparts would require the quarterly submission of:

- (1) A description of each major event that occurred during the preceding quarter, including time and duration of the event, the number of customers affected, the cause of the event and any modified procedures adopted in order to avoid or minimize the impact of similar events in the future.
- (2) Rolling 12-month reliability index values (SAIFI, CAIDI, SAIDI, and if available, MAIFI) for the electric distribution company’s service territory for the preceding quarter. The report shall include the data used in calculating the indices, namely the average number of customers served, the number of sustained customer interruptions, the number of customers affected, and the customer minutes of interruption. If MAIFI values are provided, the report shall also include the number of customer momentary interruptions.

As UGI stated in its comments in response to the Commission's Tentative Order at Docket No. M-00991220, providing reliable electric service has been and continues to be one of UGI's primary responsibilities. UGI has a long history of providing reliable electric service that spans many decades and many periods of evolving regulatory policies, including the introduction of electric generation customer choice, and believes that its service reliability since the introduction of customer choice has been equal to or better than that provided before the introduction of customer choice.

The Commission should consider what did and did not change as a result of the implementation of the Electric Generation Choice and Competition Act ("Choice Act"). In the decades preceding the implementation of the Choice Act, UGI and other EDCs provided reliable electric service, and had every incentive to do so under the provisions of the Public Utility Code. If expenses increased to meet reliability requirements, and an EDC could not earn a fair rate of return, it could file for rate relief.

In the Choice Act, the General Assembly reacted to changes in federal policy and established a framework for transitioning to an open market for generation service where markets, rather than regulation, would establish generation service prices. As a consequence of the Choice Act, the FERC, and not the Commission has jurisdiction over generation and most transmission rates. The Choice Act did not affect the Commission's jurisdiction over electric distribution rates, except to the extent it established, for certain transition periods, certain rate caps that prevented EDC from seeking base rate relief.

It is UGI's understanding that the Commission's current electric reliability efforts have their genesis in concerns that were expressed in the General Assembly that (1) electric restructuring policies may have created incentives for EDCs to not maintain previous levels of

service reliability, and (2) allegations that some EDCs may have responded to these incentives by under-investing in reliability measures. UGI believes that the appropriate policy response to these concerns is not to adopt broad based regulations, new reliability benchmarks and standards, and new and extensive information filing requirements (with certain reduced filing requirements for small EDCs such as UGI), which would apply to all EDCs including those, such as UGI, that are no longer subject to statutory or electric restructuring settlement rate caps. While UGI believes, for the reasons set forth in EAP's and these comments, that the Commission's proposed regulations need to be modified for even those EDC's that are still in the transition period and subject to rate caps, even modified rules should not be applied to UGI and similarly situated EDCs that have completed their transition period, are no longer recovering stranded costs, have POLR settlements in place and are not under any rate cap. In short, UGI and similarly situated EDCs should not be swept into costly policy initiatives to address unproven concerns about incentives to under invest in reliability measures that have no applicability to them.

ALTERNATIVE PROPOSAL

Although, for the reasons stated above, there appears to be no reason to apply the proposed reliability regulations to EDCs such as UGI, if the Commission feels compelled to collect reliability information, then UGI respectfully suggests that EDCs, such as UGI, that are no longer subject to electric restructuring rate caps should only be required to submit annual reports containing the information set forth in subparts (1)-(3) of proposed §57.195(b), and/or quarterly reports containing the information set forth in subparts (1)-(3) of proposed §57.195(e). These reports would provide the Commission with statistical data on a quarterly and annual basis concerning the reliability experienced in each EDCs system, the EDC's assessment of its system's reliability and the EDC's description and explanation of major events. Nothing more

should be needed, particularly for post-transition EDCs, until the reported reliability data reveals a trend that the Commission believes warrants further investigation.

In this regard, UGI would remind the Commission that because reported data shows an increase in the number or duration of outages compared to a prior reporting period does not necessarily mean that there has been a decrease in reliability standards. Outages may be the result of events completely beyond an EDC's control, such as vandalism, vehicular accidents, lightning strikes or changes in the duration, frequency or severity of storms.

For example, within the past year UGI has experienced several major snowstorms, including one on Christmas that was extremely wet and heavy that brought down electric lines and trees, Hurricane Isabel, two severe wind storms, one of which had higher and more sustained winds than Hurricane Isabel and more lightning storms than experienced in the last several years. None of these events is excludable from the indices as a major event for UGI, but in the aggregate caused significant damage to UGI's delivery system with the consequent impact of service delivery. Simply because a string of these type events may conspire to increase outage statistics for a particular reporting period, however, does not mean that UGI's delivery system performance has decreased.

Accordingly, quarterly variations in reliability statistics should probably not be viewed as a reason to institute further investigations. If an increasing trend in outages is shown by the data, the Commission could investigate the cause of the trend, being mindful that even the trend could be the result of normal variances in the occurrence of random events beyond the EDC's control, and not because of any failure by the EDC to maintain its system.

Because members of the general public may not understand that variations in reported outages could be the result of random events beyond an EDC's control, or because interest

groups with other agendas could misuse the data to advance their interests by not fully explaining the significance of the reported data, UGI would urge the Commission to not make the data public unless it is in the context of a completed investigation where the significance of the data can be placed in context. Alternatively, if the Commission concludes that data must be released, it should only be released after an appropriate waiting period and with adequate explanation of the significance of the data.

**THE COMMISSION SHOULD NOT ROUTINELY
COLLECT AND DISSEMINATE PROPRIETARY AND
OTHER DATA THAT IS OF NO RELEVANCE OUTSIDE
OF A COMPREHENSIVE RELIABILITY INVESTIGATION**

As explained above, UGI believes that it, and similarly situated EDCs, should be exempted from the Commission's proposed reliability regulations, or, if that is not accepted, only required to report actual quarterly and annual reliability data and associated reports on system conditions. Should these proposals be rejected, however, and UGI is subject to all of the requirements of the proposed regulations, UGI would strongly urge the Commission to delete its proposed collection and dissemination of budget, capital expenditure, staffing and contractor data. Such data could only be of relevance in an investigation into the causes of a reported increase in frequency or duration of outages where a specific set of facts showed this information might be of relevance. Even in the context of such an investigation, the information might be of little relevance to determining the cause of a reliability trend since budgets, capital expenditures and staffing levels can vary for reasons that have no impact on reliability trends.

For example high operation and maintenance expenditure in one year could be the result of reactive maintenance work performed at premium time as a result of the external factors impinging on the EDC's delivery system. Expenditures in the prior or following years may not be so driven. Or, a planned maintenance project may be cancelled during a budget year when a

more in depth assessment of the need for the project reveals it is not needed. Similarly an unplanned maintenance project may be undertaken in the course of a budget year if it is discovered to be urgently needed. The same is true for capital expenditures. The EDC may decide it is desirable to undertake a major circuit rebuild project one year and incur a significant capital expenditure. The fact that the project is done and no such expenditure is needed the following year does not mean that the EDC is deliberately refraining from spending capital to improve its system. Still another consideration is Delivery System modernization projects. An EDC may undertake a Delivery System modernization project with the expectation of reducing Operation and Maintenance cost as well as improving service delivery. When such a project is completed both annual Operation and Maintenance and capital expenditures will decline. This does not necessarily mean reliability will be compromised.

Conversely, the collection and dissemination of this information on a routine basis, even for EDCs that are not experiencing a downward trend in reported reliability measures, would have an adverse effect on EDCs and ultimately their ratepayers by providing proprietary information on operations to vendors, contractors, unions and competitors. The Commission should not bow to pressures from interest groups to collect and disseminate proprietary information under the guise of regulating reliability. If the Commission, in the context of an investigation, finds this data to be relevant and useful, it can always collect it at that time and handle it in a confidential manner pending the conclusion of the investigation and the identification of some compelling need to release the information to the public. There is absolutely no basis, however, to collect or disseminate this information in any other context.

UGI also objects to the routine collection and dissemination of transmission and distribution inspection and maintenance goals and objectives and variances in actual results. See

proposed 52 Pa. Code §57.195 (b) (6) and (9). Once again, this information is not needed outside of an investigation into the causes of a decline in reliability. In addition, collecting and explaining this information, and in particular comparing actual results with goals, would be time consuming and costly, and, outside of a comprehensive investigation, would not provide any useful information since the Commission and others would have no means of judging the significance of the information provided. Just as a budget may be constructed using assumptions about various highly variable conditions a year or more in advance, yearly goals may be constructed using various assumptions about future uncontrollable events. In both instances, the only surprise would be if conditions turned out exactly as expected. Obviously, circumstances may change during the course of a year that require adjustments to goals and resources. Reporting on these goals and changes in them would serve no useful purpose outside the context of a comprehensive investigation of specific reliability concerns where such information is deemed to be pertinent. Routinely reporting such information, particularly where there is no evidence of any reliability issues, is completely unjustified and could only lead to misunderstanding and attempts to micromanage utility affairs. 52 Pa.Code §57.195)(b)(6) and (9) should accordingly be eliminated from the proposed regulations.

UGI would note that as a small EDC, with a smaller customer base upon which to spread administrative costs, the numerous proposed reporting requirements will have a particularly heavy impact, even though UGI is not in the class of entities was the subject of the concerns vetted in the General Assembly.

CONCLUSION

In summary, UGI respectfully suggests that the Commission should exempt EDCs, such as UGI, that are no longer subject to statutory rate caps and that have POLR settlements in place

from the proposed reliability regulations. This class of EDCs has the same incentives and abilities to maintain reliability as they did prior to the implementation of Choice Act.

If the Commission nonetheless feels the need to collect reliability data from such EDCs, it should only require annual reports containing the information set forth in subparts (1)-(3) of proposed §57.195(b), and/or quarterly reports containing the information set forth in subparts (1)-(3) of proposed §57.195(e). These reports would provide more than enough information for the Commission to monitor trends in outages, and to make decisions as to whether to institute further investigation into the cause of a particular trend.

Finally, if UGI is to be made subject to the entire reporting requirements of the proposed regulation, the Commission should refrain from routinely gathering and disseminating much of the information it proposes. Such information, for the reasons set forth above and in the comments of EAP, is of little or no relevance to reliability in any event, can easily be misinterpreted, and to the extent it is deemed of relevance in a particular case, can be gathered in

an investigation into the causes of a particular apparent decreasing trend in reliability.

Respectfully submitted,

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