October 10, 2003

Mr. James J. McNulty, Secretary
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17120-3265

**RE: Amended Reliability Benchmarks and Standards**
**for the Electric Distribution Companies**
**Docket No. M-00991220**

Dear Secretary McNulty:

Enclosed are an original and three (3) copies of the Comments of the Energy Association of Pennsylvania to the Commission's Tentative Order in the above-captioned docket.

Please note that service of these comments has been made as indicated in the attached Service List.

Also, for purposes of filing Reply Comments, we would appreciate your advising us of the names and addresses of all parties filing comments to the Tentative Order.

Sincerely,

Michael Love
President & CEO

David T. Evrard
Vice President & Secretary

cc: Elizabeth Barnes (via electronic mail)

**BEFORE THE**
**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

| | | |
|---|---|---|
| Amended Reliability Benchmarks And Standards For the Electric Distribution Companies Request for Comments | : | Docket No. M-00991220 |

## Certificate of Service

I hereby certify that I have this day served a copy of the Energy Association of Pennsylvania's Comments on the Commission's Tentative Order in the above matter upon the parties listed below by mailing a copy thereof, properly addressed and postage prepaid in accordance with 52 Pa. Code §1.54.

**Via First Class Mail:**

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Date: October 10, 2003

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**BEFORE THE**
**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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| Amended Reliability Benchmarks And Standards For the Electric Distribution Companies Request for Comments | : : : : | Docket No. M-00991220 |

**COMMENTS OF THE ENERGY ASSOCIATION OF PENNSYLVANIA ON THE COMMISSION'S PROPOSED GUIDELINES AND STANDARDS FOR PERFORMANCE RELIABILITY**

## I. INTRODUCTION

The Energy Association of Pennsylvania (Energy Association) on behalf of the eleven investor-owned electric distribution companies[1] (EDCs) in the Commonwealth files these comments in response to the Pennsylvania Public Utility Commission's (Commission) Tentative Order and Request For Comments on the proposed guidelines and standards for performance reliability enunciated by the Commission in its order entered on June 27, 2003. The Commission subsequently issued a Notice of Proposed Rulemaking in Docket No. L-00030161 on October 4, 2003.

The Commission has properly acknowledged the relationship between the two dockets reflected in the published Tentative Order and the recently published Rulemaking Order. Because some of the Commission's positions are set forth in each and still others are set forth only in the Rulemaking Order for final disposition, the Energy Association hereby reserves its rights and each of the individual EDC's[2] rights to

[1] Allegheny Power, Citizens' Electric Company, Duquesne Light Company, Metropolitan Edison Company, Pennsylvania Electric Company, PECO Energy Company, Pennsylvania Power Company, Pike County Light & Power Company, PPL Electric Utilities Corp., UGI Utilities Inc.-Electric Division, and Wellsboro Electric Company

[2] As listed in Footnote 1

either individually or collectively address matters discussed in the proposed Rulemaking Order. The Energy Association and/or the EDCs may address the specific content of the Commission requested reports, as well as their frequency.

## II. MULTIPLE DATA SOURCES SUPPORT THE ENERGY ASSOCIATION'S POSITION ON RELIABILITY

The Energy Association has reviewed the Appendices from the Tentative Order and believes it is helpful to reiterate the following:

- Duquesne, PECO, PPL, UGI, and Citizens' all were in compliance with the Commission's current standard and further that each meets the proposed standard for a rolling three-year average. (110% of Benchmark)[3]
- Allegheny Power is recognized as having a benchmark established on incomplete and inaccurate data which results in Allegheny Power's SAIFI and SAIDI benchmarks being set "artificially". Thus "comparisons with the benchmark are going to be inherently unfavorable"[4]
- As EDCs implemented automatic outage management systems (OMSs), the accuracy of outage data was improved. This led the Commission to recognize that historical reliability performance was not at the level reported, including the benchmark period 1994-1998.[5]
- The installation of OMSs provides more reliable data, but undercuts the ability to trend such data, which negatively impacts the prospective standards for Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, Allegheny, Pike County Light & Power Company, and Wellsboro, each of which installed OMSs. Clearly, each has done a better job than that reflected in Appendix B.

[3] Appendix B, attached to the Tentative Order
[4] Tentative Order, page 14
[5] Tentative Order, page 15

The Commission's own customer service performance survey published for 2002 demonstrated that overall customer satisfaction with the EDCs' quality of service has remained at consistently high levels over the last three years.[6]

| Company | Satisfaction with EDC Representative's Handling of Contact* | | | Overall Satisfaction with EDC Quality of Service* | | |
|---|---|---|---|---|---|---|
| | **2000** | **2001** | **2002** | **2000** | **2001** | **2002** |
| Allegheny Power | 89% | 93% | 90% | 89% | 87% | 85% |
| Duquesne | 85% | 87% | 87% | 82% | 80% | 83% |
| GPU | 90% | 93% | 92% | 86% | 88% | 89% |
| PECO | 82% | 83% | 82% | 79% | 76% | 80% |
| Penn Power | 95% | 93% | 92% | 90% | 90% | 88% |
| PPL Electric | 86% | 90% | 90% | 85% | 90% | 89% |
| UGI-Electric | 89% | 88% | 88% | 88% | 87% | 87% |
| **Average** | **88%** | **89%** | **89%** | **86%** | **85%** | **86%** |

* Percent of consumers who answered either "very satisfied" or "somewhat satisfied" when asked how satisfied they were with this aspect of their recent contact with the EDC.

The Commission's survey, which demonstrates significant satisfaction with the service provided by Pennsylvania's EDCs, can be contrasted with national surveys.

The National Regulatory Research Institute (NRRI) recently undertook a survey of nearly 19,000 Internet users regarding their opinions of various industries' customer service, including electric utilities.[7] Respondents were asked to assign a grade of A, B, C, D, or F. A grade of "very satisfied" or better equates to an A or B on the NRRI survey. For electric utilities nationwide, just over 28%[8] of the responses received a grade of B or better. Pennsylvania's electric utilities earned a grade of B or better for

[6] 2002 Customer Service Performance Report Pennsylvania PUC, page 38. In fact, the overwhelming percentage is "very satisfied", page 32.
[7] "Consumer Utility Benchmark Survey: A Comparison of Consumer Perceptions of Customer Service" Francine Sevel, Ph.D. Sr. Consumer Affairs Policy Analyst, Ling Bei Xu, Graduate Research Asst., The National Regulatory Research Institute at the Ohio State University, February 2003
[8] Ibid, page 10

55%-75% of the Commission's survey responses. This comparison demonstrates the excellent job the EDCs are doing.

The recent JD Power survey on reliability and customer satisfaction further underscores Pennsylvania EDCs' superior performance relative to electric utilities nationwide.[9] For example, the survey reports that Allegheny and FirstEnergy are two among only five utilities nationwide to have improved their rankings five years in a row.[10] PPL Electric and Allegheny are ranked as one and two in overall customer satisfaction in the eastern region, and all the major Pennsylvania electrics are above average. Based on data from multiple reliable sources, the Pennsylvania electric industry is providing reliable service.

The proposed company specific standards rely on historical data. It must be recognized, however, that the EDCs' voluntary installation of more accurate, automatic outage management systems ("OMS") [11] will always result in an increase in the number or reported outages and, as such, installation of new OMS renders historical data unreliable for trending purposes. The EDCs' willingness to raise the bar by achieving greater connectivity through technology enhancements is consistent with the Commission's focus on reliability and thus should not be penalized. EDCs are meeting customer reliability expectations and electric reliability is as good, if not better, today as it was prior to restructuring.

[9] www.businesswire.com; www.jdpower.com

[10] FirstEnergy's continuous improvement includes the GPU utilities, Metropolitan Edison, and Pennsylvania Electric, included in the survey for 2 of the last 5 years.

[11] Notably, this voluntary implementation of enhanced data reporting was undertaken in a "rate capped" environment.

## III. THE PERFORMANCE STANDARDS FOR SMALL EDCs SHOULD CONTINUE TO BE SET USING A STANDARD DEVIATION APPROACH

Although the Energy Association believes there is a strong case for not setting new performance standards for the small EDCs, the Association nevertheless supports abandoning the two standard deviation performance measure.

The Energy Association acknowledges that, in establishing some of the new performance standards, the Commission has taken into account the special circumstances of small EDCs. Specifically, the Commission has recognized that a single event can have a more significant impact on small EDC reliability performance. It also has recognized that these companies have fewer customers and fewer circuits than the large EDCs, which results in smaller sample sizes and higher standard deviations in their performance results. To compensate for this wider variability, the Commission has proposed greater latitude in the 12-month standard by setting a bandwidth for small EDCs that is 35% above historical benchmarks, as opposed to a bandwidth of 20% above benchmarks for the large EDCs. With respect to the 36-month standard, however, the Commission has allowed no such leniency, holding both large and small EDCs to a bandwidth of 10% above historic benchmarks.

The Energy Association respectfully suggests that, with respect to the small EDCs, greater latitude is needed. One need only consider the proposed 12-month and 36-month SAIFI and SAIDI performance standards for Citizens' Electric and Pike County Light and Power. They are the most stringent among all EDCs, large or small. It makes little sense to impose the most severe performance expectations on those

companies that are most affected by the impact an outage can cause on the overall indices.

The following table taken from Appendix B illustrates the magnitude of difference that arises with smaller EDCs:

| | **Proposed Recomputed Benchmarks[12]** | | |
|---|---|---|---|
| **Small EDC** | **SAIDI** | **SAIFI** | **CAIDI** |
| Citizens' | 21 | .20 | 105 |
| Wellsboro | 153 | 1.23 | 124 |
| Pike County | 69 | .39 | 178 |
| UGI | 140 | .83 | 169 |

As an alternative to the Commission's proposal, the Energy Association recommends, with respect to the small EDCs only, a return to setting performance standards using a standard deviation approach. Inasmuch as the two standard deviation measure has been rejected, the Energy Association would propose that for the 12-month rolling average, the Commission use 1.5 standard deviations as the standard and for the 36-month rolling average, it use 1.0 standard deviations for the standard. This would allow for both a tightening of the standards from current levels and recognition that the performance results will have greater variability due to a smaller measurement base. Alternatively, should the Commission choose not to use a standard deviation approach for calculating performance standards for smaller EDCs, the Energy Association recommends moving to a performance standard which is 45% above the benchmark for the 1 year rolling average and 15% above the benchmark for the 3 year rolling average.

[12] The lower the number the more stringent the performance standard.

Finally, the Commission should be aware that the shift from annual to quarterly reporting will be particularly onerous for the small EDCs given their limited manpower and relief for them from this requirement would, at a minimum, be welcome.

## IV. THE COMMISSION'S APPROACH OF ANALYSIS AND FACT GATHERING IS APPROPRIATE

The Commission has requested that comments which are filed in this docket consider both the Tentative Order and the Proposed Rulemaking Order L-00030161.[13] The Commission's proposed Rulemaking Order at §57.194(h)(3) states, that, if an EDC's results suggest an inability to meet the benchmarks or the bandwidth, the Commission will undertake additional scrutiny and request supplementary data to be provided.[14]

The Tentative Order echoes this sentiment by noting that a failure on the part of an EDC to meet the first tier standard is a trigger for additional involvement of the Commission in terms of remedial review, and perhaps additional reporting by the EDC, until performance is within the standard or the Commission is satisfied that performance over time is not significantly deteriorating.[15]

This approach of obtaining additional information prior to regulatory action is reflected throughout the Commission's orders. There is, for example, an acknowledgement of data quality issues for outage management system installation.[16] Further, the Commission recognized that there is indeed a transition period that is

[13] Tentative Order, page 21, paragraph 2 in Ordering Section
[14] Proposed Rulemaking Order §57.194
[15] Tentative Order, page 11
[16] Tentative Order, pages 14-16

currently being proposed.[17] As the Commission observed, the overall intent of its two-tiered approach to setting standards is to allow some variability in performance over a short period of time while moving that performance towards the benchmark over a longer period of time.[18]

However, within the same Order, the Commission states that:

> "Alternatively the Commission will not view performance that consistently falls within the bandwidth between the benchmark and the standards but does [not] tend toward the benchmark as acceptable."[19]

This passage seems to indicate that an EDC may face penalties even though it is in compliance with the two-tiered standard, where there is, for example, a movement from within 3% of the benchmark to 4%. Yet, performance within the range should be deemed acceptable under all conditions and situations.

The EDCs seek to confirm that it is the Commission's intent to continue the practice of undertaking additional review prior to undertaking any other regulatory action. Should a particular quarter or year reflect an aberration, the EDCs wish to have an opportunity to explain that aberration before the Commission issues a non-compliance finding, order, or secretarial letter.

The Energy Association further requests that the Commission confirm that the industry and the Commission are in a transition stage regarding the benchmarks and standards for reliability. Finally, the Energy Association requests confirmation that the proposed Rulemaking, Docket No. L-00030161 recognizes this transition and that the Commission will provide an EDC an opportunity to be heard on any reliability concern.

[17] Tentative Order, page 16
[18] Tentative Order, pages 12-13
[19] Tentative Order, page 13

## V. OVERALL RESPONSE TO THE PROPOSED GUIDELINES AND POLICIES

The Commission has indicated its intention to monitor and, if necessary, amend the rules and procedures that govern the measurement of what is meant by the term electric reliability. The proposed guidelines and policies seek to modify the process by which the EDCs record and report Reliability Statistics and to clarify the Reliability Standards to be utilized.

The Energy Association agrees with some of these proposals as they pertain to the largest EDCs. For example, the Energy Association welcomes the standardization surrounding the definition of operating area to mean the EDC's entire service area in Pennsylvania and not segments of that area.

A continuation of the performance measurement indices of CAIDI, SAIFI and SAIDI permits a historical record to be maintained and continues reliance on standard industry statistics. While the Energy Association supports the clarification of what constitutes a major storm, there is not, in our opinion, a compelling reason to have a costly and duplicate major storm determination process. Further, the Commission should recognize that the increased frequency of reporting and utilization of rolling averages will lead to a situation where non-excluded storms can artificially skew the data for a significant period of time.

Finally, the proposed recommendations reflect a major effort to raise the bar on what constitutes reliability. The Energy Association is generally supportive of tightening the standards if it is understood that reliability indices fluctuate due to many unforeseen and uncontrollable factors. However, as mentioned, the proposed recommendations reflect such a measurable increase in performance standards that "false positives" are

likely to result. False positives suggest problems will be recorded that, when additional data is reviewed, will not actually constitute a reliability problem. With eleven EDCs being measured against three standards, four times per year, false positives are almost certain to occur. The likelihood of false positives reinforces the Commission's stated purpose to conduct additional analysis should standards not be met and conversely, support's the Energy Association's position that language in this Tentative Order suggesting immediate penalties should be stricken or modified accordingly.[20]

## VI. THE COMMISSION SHOULD ELIMINATE THE REQUIREMENT FOR FILING A FORMAL REQUEST FOR EXCLUSION OF MAJOR EVENTS FOR RELIABILITY REPORTING PURPOSES.

The Tentative Order proposes a formal process by which EDCs would be required to seek Commission approval for exclusion of service interruptions from their reliability reporting by proving that the interruption qualifies as a "major event", as that term is defined in the Commission's regulations. EDCs would be required to file a Formal Request for Exclusion that includes seven specific information items identified in the Tentative Order. The Commission would review the formal request and, if deemed appropriate, would grant the EDC permission to exclude the outage data from its reliability calculations.

Inasmuch as the information proposed to be included in the Formal Request is virtually identical to the information required in Service Outage Reports filed under 52

[20] Tentative Order, page 11 "…Repeated violations of the 2-tiered standard shall result in the Commission staff pursuing an enforcement action including fines and other remedies available." The Energy Association requests that language be deleted and replaced with: "Repeated violations of the 2-tiered standard will result in a review by the Commission staff. If this review shows clear evidence that the violations are due to unsatisfactory performance by an EDC in areas under the EDC's control, then the Commission staff will pursue appropriate enforcement actions."

Pa. Code §67.1, the Commission should eliminate the Formal Request requirement as being duplicative of existing reporting requirements. A comparison of the information proposed under the Formal Request requirement with the data requested in Section 67.1 reveals that the only difference relates to the total number of customers served in the service territory. Although not required under Section 67.1, this information can be provided by the EDC or is readily available to the Commission from other reports filed by the EDCs.

The EDCs recognize that there is a significant difference in the outage duration threshold under the definition of a major event (10% of customers out for 5 minutes or longer) versus that which triggers a Service Interruption Report under Section 67.1 (the lesser of 5% or 2,500 customers out for six consecutive hours). Nevertheless, at least with respect to the large EDCs, it seems unlikely that an event which interrupts service to a full 10% of their customer base is one that could be resolved in less than six hours. Therefore, a Service Interruption Report would be triggered and the Commission already would have in hand the information it proposes to receive under the Formal Request.

With respect to the need for formal approval of the exclusion of "major event" data, the EDCs contend that the definition of "major event" is straightforward and that the EDCs can readily apply the definition and accurately identify those service interruptions that qualify for exclusion from the reliability index calculations. The Formal Request process is an unnecessary step that can be eliminated without affecting the quality of the data reported. In the alternative, as discussed above, the Commission could use the Service Interruption Reports under Section 67.1 as the basis

for determining whether an unscheduled interruption qualifies as a "major event." If after consideration of all the comments, the Commission seeks to have a major event approval process, the Energy Association would request that the filing be deemed approved after ten (10) days. If there is not a time limit, there is a strong likelihood of revisions being made to quarterly filings, after the Commission rules on the subject.

## VII. DATA ACCURACY SHOULD BE OF PARAMOUNT CONSIDERATION

The Commission should rely upon data that provides the greatest level of accuracy. The Energy Association agrees that service quality measurements will only work and thus result in improved service, if the measurements are objective, accurate and timely. The proposed standards are company specific. Historical data is utilized as a base. However, as the Commission recognized, due to the installation of new automatic outage management systems some of this historical data is unreliable for purposes of comparison and trending in that with upgraded technology, there is always an increase in the number of reported outages.[21] Accordingly, the Energy Association recommends that the Commission consider this fact when setting the benchmarks and standards for those affected companies.

[21] Tentative order, pages 14-16

## VIII. THE TWO STANDARD DEVIATION THRESHOLD OF UNACCEPTABLE PERFORMANCE SHOULD BE ABANDONED

The Energy Association concurs with the Commission's proposal to abandon the current threshold for unacceptable performance of 2-standard deviation above the benchmarks for CAIDI, SAIDI and SAIFI.

## IX. MAJOR EVENT DURATION IS DEFINED BY THE CURRENT RULES

The Energy Association concurs with the Commission's proposal to maintain the current definition for duration of a major event as set forth in 52 Pa. Code §57.192, that is, that a major event begins when notification of the first interruption is received and ends when service to all customers affected by the event is restored.

## CONCLUSION

The extension of the definition of operating area to be the EDC's entire electric service territory is supported, as is the departure from the 2-standard deviation threshold of unacceptable performance. The two-step tier of 12-month and 36-month rolling averages with appropriate percentage ranges is suitable for triggering additional scrutiny for the larger EDCs without data reliability issues. For the smaller EDCs, the Energy Association recommends moving to performance standards of 1.5 standard deviations above the benchmark for the 12-month rolling average and one-standard deviation above the benchmark for the 36-month rolling average. Alternatively, should the Commission choose not to revert to use of a standard deviation approach for calculating performance standards for smaller EDCs, the Energy Association

recommends moving to a performance standard which is 45% above the benchmark for the one-year rolling average and 15% above the benchmark for the three-year rolling average.

The Energy Association agrees with the Commission that a major event begins at the first notification of an interruption and concludes when service is restored to all customers. As the definition of a major event is clear, however, the Energy Association believes a process for ruling on what constitutes a major event adds a level of unnecessary regulation that will slow the process of filing timely and accurate reports.

The EDCs are providing better service now than they provided prior to industry restructuring. The Commission and the member companies should both take pride in the achievements and progress in terms of reliability.

Respectfully submitted

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