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October 10, 2003

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

Re: Comments of PECO Energy Company to the Tentative Order Setting Forth the Commission's Proposed Guidelines and Standards for Electric Service Performance Reliability - Docket No. M-00991220

Dear Mr. McNulty:

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

We would appreciate your advising us of the names and addresses of all parties filing comments to the Tentative Order.

Sincerely,

Shari C. Gribbin
Enclosure

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

COMMENTS OF PECO ENERGY COMPANY TO THE TENTATIVE ORDER SETTING FORTH THE COMMISSION'S PROPOSED GUIDELINES AND STANDARDS FOR ELECTRIC SERVICE PERFORMANCE RELIABILITY

I. INTRODUCTION

Supplementary to the comments filed by the Energy Association of Pennsylvania ("Energy Association") on behalf of PECO Energy Company ("PECO Energy") and ten other investor-owned electric distribution companies ("EDCs"), PECO Energy files these comments in response to the Pennsylvania Public Utility Commission's ("Commission") Tentative Order and Request For Comments on the Proposed Guidelines and Policies regarding Standards for Electric Service Performance Reliability issued by the Commission at its Public Meeting held on June 26, 2003 ("Tentative Order"). PECO Energy agrees that working to improve reliability, and accurately reporting reliability performance are important tasks. PECO Energy appreciates the extensive effort made by the Staff Internal Working Group ("Working Group") with regard to these issues and in large measure supports the findings made by both the Working Group and the Commission in issuing the Tentative Order at Docket L-000310161. As such, PECO Energy files only these brief comments requesting correction to certain information and action regarding one issue raised in reading the Tentative Order and the Proposed Rulemaking Order ("Proposed Rulemaking") together.[1]

II. CORRECTION TO NUMERICAL DATA FOR PECO ENERGY IN APPENDIX B OF THE TENTATIVE ORDER

Attached to the Tentative Order were several appendices setting forth a great deal of numerical data related to certain reliability performance indices, SAIFI, CAIDI and SAIDI, for the various utilities operating under the Commission's jurisdiction. Per the Tentative Order, Appendix B titled "Rolling 3-Year Average Standard" sets forth a table comparing each EDC's current benchmarks and standards to the proposed recomputed benchmarks and the rolling 3-year standards. Column K in Appendix B contains the rolling 3-year average for 2000-2002 for the various utilities as calculated by the Commission. The published SAIFI data under Column K for PECO Energy is inaccurately reported as 1.21. Based on the information provided by PECO Energy to the Commission in relation to this particular index, the actual reported number should have been **1.12**. As the reported number is 1.21 it appears there was simply a transposition of the numbers. Accordingly, PECO Energy requests when the final order is issued this number be corrected to 1.12.

III. AUTOMATIC PENALTIES IN THE EVENT AN EDC DOES NOT MEET THE NEW PERFORMANCE STANDARDS WOULD BE UNREASONABLE, UNJUST AND NOT IN THE BEST INTEREST OF IMPROVING RELIABILITY.

Reading the Tentative Order and Proposed rulemaking together, the consequences of a failure to meet the new standards are unclear and inconsistent. The

[1] The Commission has requested that comments filed in this docket consider both the Tentative Order and the Proposed Rulemaking Order L-00030161. However, in light of the fact that the Proposed Rulemaking Order was not published until very recently (October 4, 2003), PECO Energy at this time files only its comments to the Tentative Order and reserves its right to file comments on the Proposed Rulemaking by the required response date of December 3, 2003.

language of the Proposed Rulemaking appropriately provides for an escalating level of review upon a failure to meet the standards, but the language of the Tentative Order imposes automatic fines/penalties in the event of an EDC's "repeated" failure to meet the new performance standards. Given that certain circumstances beyond the control of the EDC can significantly and adversely affect the reported data, the Commission should revise the language of the Tentative Order to be more consistent with the Proposed Rulemaking and ensure that enforcement action and fines/penalties are not the automatic consequence of a failure to meet the new standards.

The proposed rulemaking amends 52 Pa. Code §57.195 (d) as follows:

> **[(d)] (g)** When an **[electric distribution company's] EDC's** reliability performance **[within an operating area]** is found to **[be unacceptable] not meet the Commission's established performance standards**, as defined in § 57.194(h) (relating to distribution system reliability), the **Commission may require a** report **[shall] to** include the following:

(Annex A to Proposed Rulemaking at 7). In setting forth the proposed changes, the Commission made clear that the one reason for the revisions was to "make it clear that performance which does not meet the Commission's established performance standards is not necessarily indicative of unacceptable performance." (Proposed Rulemaking at 16). In recognizing this, the Commission then stated "[o]nly after further review of the circumstances can it be determined whether any performance is problematic" and amended the regulation to provide the Commission with the discretion to determine on a case-by-case basis whether or not the reporting that was previously *required* by §57.197 (upon a failure to meet the standards) was necessary. Id.

PECO Energy agrees with such a course of action upon an EDC's failure to meet the standards set forth within the Proposed Rulemaking, however the language of the

Tentative Order requires mandatory enforcement action by the Commission upon an EDC's failure to meet the standards. The Tentative Order states:

> Consistent with proposed changes to the language of the Commission's Electric Reliability Standards at 57.194(h)(3), the role of the standard is being revised. A failure on the part of an EDC to meet the first tier standard is a trigger for additional involvement of Commission staff in the form of remedial review and perhaps additional reporting by the EDC until performance is within the standard or Commission staff is satisfied that performance over time is not significantly deteriorating. Repeated violations of the 2-tiered standard shall result in the Commission staff pursuing an enforcement action including fines and other remedies available.

Tentative Order at 11.

The course of action upon a failure to meet the first tier standard, "remedial review and perhaps additional reporting by the EDC until performance is within the standard or Commission staff is satisfied that performance over time is not significantly deteriorating," is a reasonable and appropriate means of ensuring an EDC's continued efforts to maintain and ultimately improve its reliability performance. The revised reporting system, however, is based on newly developed and untested mathematical calculations that can create the inaccurate impression that the EDC has not been improving its reliability, or even that its reliability performance has declined, when in fact it is performing at a very good or even exceptional level. As such, language in the Tentative Order that a "repeated" failure to meet the 2-tiered standard "shall" result in "enforcement action including fines and other remedies," creates an unfair penalty for a failure. The appropriate Commission response to an EDC's failure to meet the new standards, even a repeated failure, is therefore, the approach set forth in the Proposed Rulemaking: to first inquire as to the reasons for the violation, and then make a determination as to the proper course of action.

The proposed system of reporting calls for more frequent reporting and the use of rolling averages and should enhance overall reliability for Pennsylvania's utility customers. However, because it allows certain events out of the EDC's control to adversely affect the data, it can create the inaccurate impression that the EDC is failing to, at a minimum, maintain its reliability. A primary example is the impact that large, non-excludable storms can have on the reliability scores of an EDC. Storms are unpredictable and often occur in clusters all around the same time. The reliability indices can be heavily influenced by these non-excludable storms. Under the reporting requirements as set forth in the Tentative Order, such storms would adversely impact reliability scores for a significant period of time due to the nature of the rolling average calculation, thus giving the inaccurate impression that the EDC's reliability is not improving, or even is declining.

To demonstrate the impact of such storms on the EDC's reported data, PECO Energy has prepared two sample reports using actual PECO Energy data as it would be applied under the new reporting requirements. These are attached hereto as Exhibit A, setting forth CAIDI data vs. the 20% Standard using the twelve-month rolling average as reported quarterly; and Exhibit B, setting forth CAIDI data vs. the 10% Standard applying the three-year rolling average as reported annually. On both of these appendices, the occurrence of a large, non-excludable storm (a storm impacting 90,000 customers but less than 10% of PECO Energy's customers) is illustrated by the appearance of a large dot. The new standard is illustrated by a dotted line with circles, and the benchmark by a dotted line with triangles. A review of these two exhibits reveals the following about the random pattern of large non-excludable storms in the last decade: (1) eight of these storms struck the PECO Energy territory in one decade;

(2) five of the eight storms struck in 1998 and 1999; and (3) two of the eight storms struck in successive quarters in 1998 and three of the eight storms struck in successive quarters in 1999.

The exhibits demonstrate the substantial impact that such storms have on the reliability scores when reported under the proposed revised system. For example, in 1999 there were three large non-excludable storms in successive quarters in the PECO Energy service territory. Exhibit A, which contains the twelve-month rolling average, indicates that each storm had a pronounced adverse effect on the average. Upon careful review, it is also apparent that by applying the twelve-month rolling average, a storm like this adversely affects not just the quarter in which the storm occurs, but remains a part of the average for the three quarters that follow. With the newly proposed rolling average formula, large non-excludable storms adversely affect PECO Energy's reliability score for seven of the eight successive quarters starting with the second storm in 1998. Therefore, under the new quarterly reporting requirements, it would appear as though PECO Energy's reliability performance was not good for seven of the eight successive quarters, when in fact there simply were several large non-excludable storms within a short period of time, which created a long term adverse effect on the quarterly reported data.

This impact can also be seen by looking to Exhibit B, which shows the three-year rolling average (illustrated by the thick line) and the actual annual CAIDI performance (illustrated by the thin line). Similar to the effect of a twelve-month rolling average, just two or three of these types of storms in one year will adversely affect the report not only for the year in which the storms occur, but also for the two years following the occurrence of the storms. Again, the natural consequence of utilizing the three-year rolling average is that the data does not necessarily accurately reflect the EDC's reliability performance. As with the twelve-month rolling average, this results in data that gives the erroneous impression that the EDC is repeatedly failing to provide good reliability performance, even though the reported performance is unrelated to circumstances within the control of the EDC.

These examples clearly illustrate how circumstances outside the EDC's control, in this example large non-excludable storms, can skew the reported data and create the false impression that an EDC has failed to improve or even maintain its good reliability. Yet, under the current language of the Tentative Order, this perceived failure could well result in an unjustified automatic assessment of a fine or penalty.

Given that circumstances outside the EDC's control can have a long term adverse effect on reported data, the potential automatic fines/penalties, which are based on newly developed and untested mathematical calculations would be unreasonable, unfair, and not in the best interest of the overall goal; improving reliability. As such the language of the Tentative Order should be amended to comport with the Proposed Rulemaking and the language requiring a mandatory automatic enforcement action should be stricken.

IV. CONCLUSION

PECO Energy supports the Tentative Order and the efforts made by the Commission and the Working Group in proposing such changes to the standards for reliability performance within Pennsylvania. As such, PECO Energy simply asks that: (1) the Commission correct the above-referenced SAIFI data in Appendix B; and (2) it consider the impact on reported data of certain events outside the EDC's control and revise the language of the Tentative Order to comport with the Commission review process as set forth in the Proposed Rulemaking.

Respectfully submitted,

Dated: October 10, 2003

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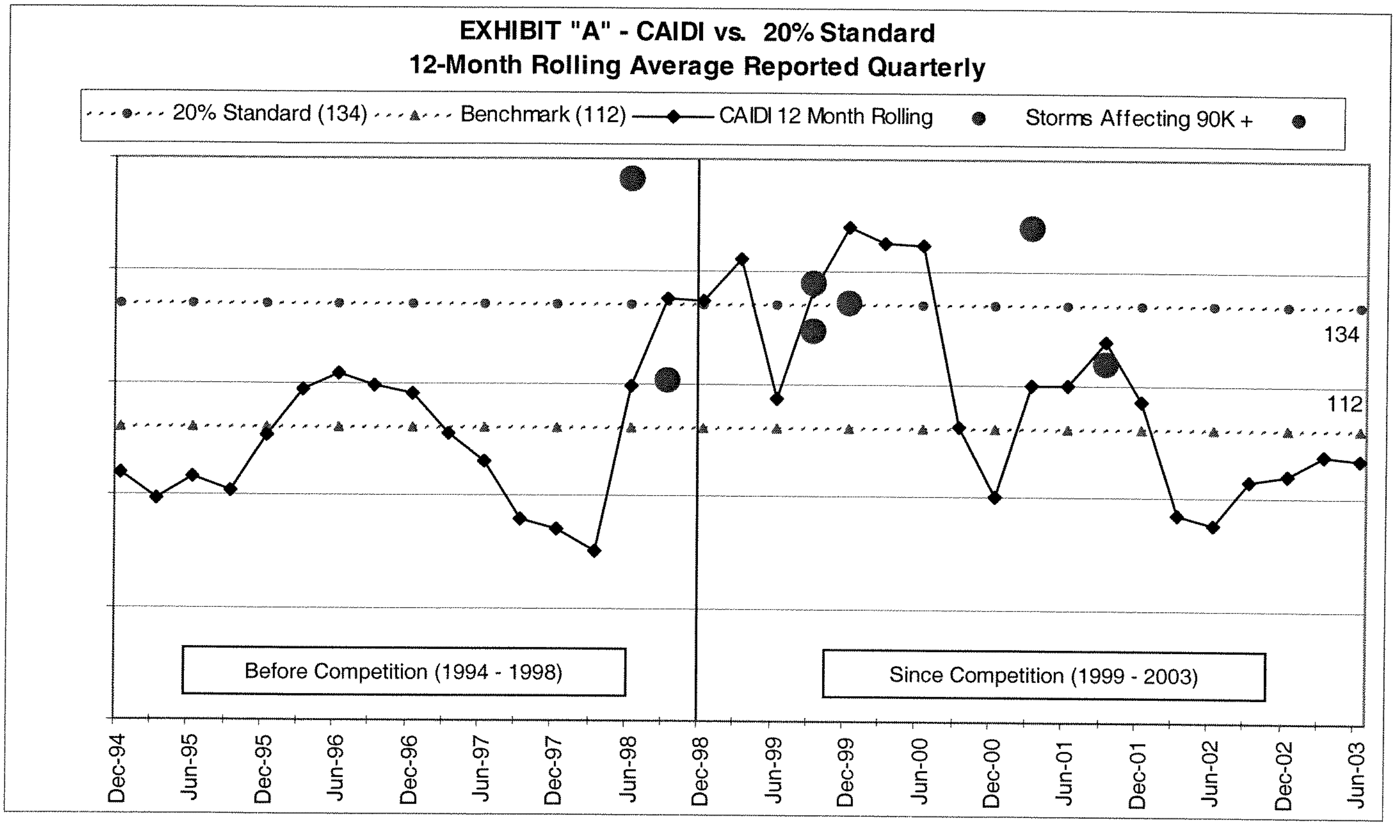
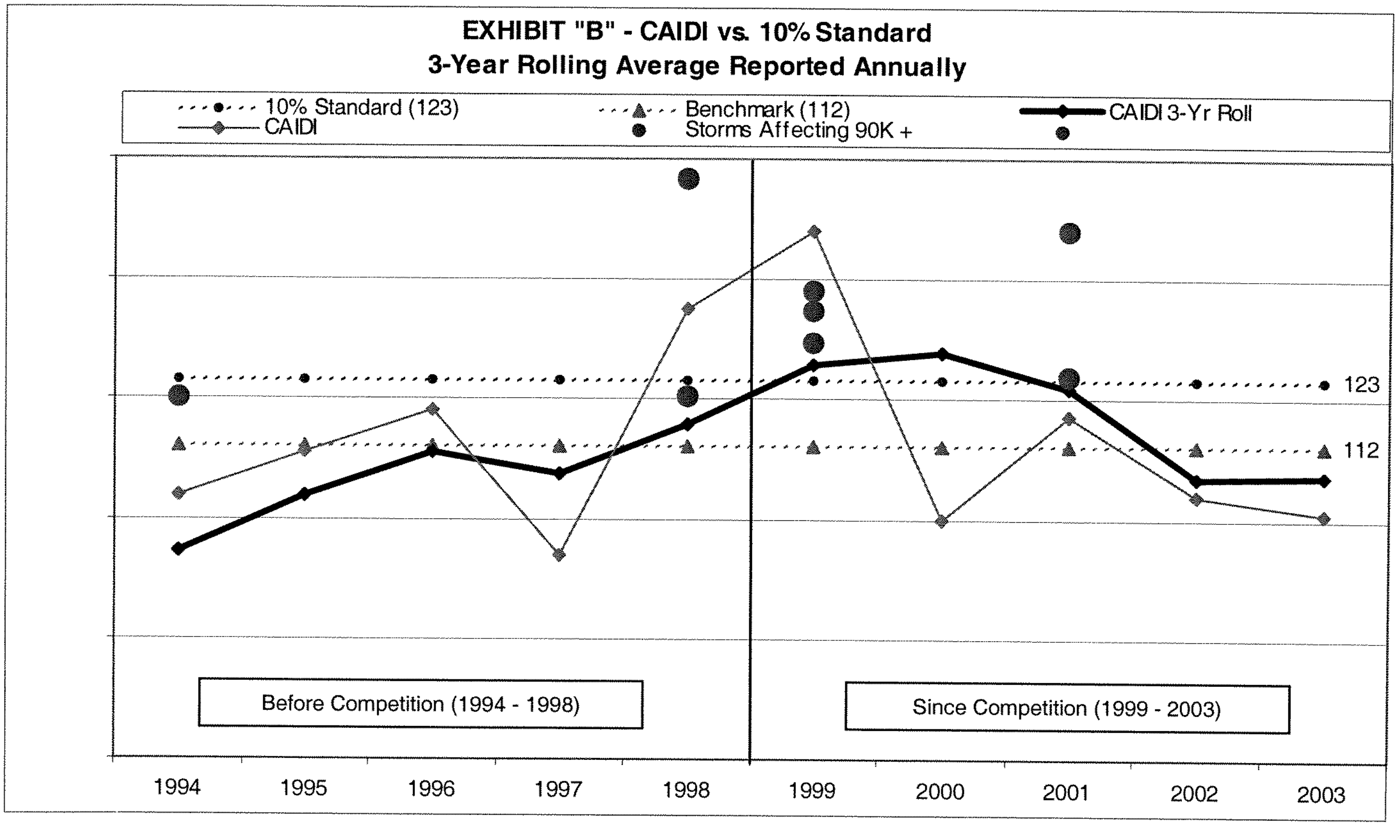


Shows storms that affected more than 90,000 customers
but did not reach the exclusion criterion of 10% of customers.

The vertical position of each dot representing a storm is proportional to the number of customers affected in the storm.



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