

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

AMENDED RELIABILITY	:	
BENCHMARKS AND STANDARDS	:	
FOR THE ELECTRIC DISTRIBUTION	:	Docket No. M-00991220
COMPANIES	:	

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

UGI Utilities, Inc. – Electric Division (“UGI”) appreciates this opportunity to submit comments in response to the above-captioned Tentative Order approved at the Commission’s June 26, 2003 public meeting.

In the following comments, UGI proposes the development of individual reliability standards for each electric distribution company (“EDC”). If this recommendation is not adopted, however, UGI fully supports the modified reliability standards for smaller EDCs proposed in the comments of the Energy Association of Pennsylvania (“EAP”) at this docket. UGI also supports, and has joined in, the other comments filed by EAP at this docket, and offers some additional thoughts about enforcement policies to supplement EAP’s comments on this topic.

**INDIVIDUAL STANDARDS SHOULD  
BE DEVELOPED FOR EACH EDC**

The provision of reliable service that is at least as reliable as that provided before restructuring is an important goal that UGI has met, and is committed to meeting in the future.

Delivery of electric service is a process, and over time variations will occur due to both controllable and uncontrollable events and circumstances. Among EDCs, the nature of these controllable and uncontrollable events will vary due to the unique circumstances of each system.

These unique circumstances will influence and determine the service delivery variability that will be experienced by each EDC.

Uniform benchmarks and standards should accordingly not be established. Instead, the performance of each EDC's system should be studied to determine the factors influencing variability, and statistically derived standards and benchmarks, based upon the deliver system's natural performance, should be developed. Since the circumstances of each EDC differ the amount of allowable variation from average would also be expected to differ if these individualized standards and benchmarks were developed.

The Commission has recognizes the differences between EDCs to some degree by proposing different control limits for small and large EDCs. UGI believes, however, that the Commission should go further, study the historic performance for each EDC, and set unique benchmarks and standards, including the amount of allowed variance from average, for each EDC.

**THE PROPOSED PERFORMANCE  
STANDARDS FOR SMALL EDCs  
SHOULD BE MODIFIED**

The Commission has appropriately recognized that a single event may have a greater impact on a smaller EDC's reliability than it would on a larger EDC.<sup>1</sup> However, the two new performance standards proposed by the Commission do not reflect the realities of small EDC operations.

The first performance standard is a moving twelve month average set at 135% of each small EDC's benchmark. The second proposed standard is a 36 month average set at 110% of each small EDC's benchmark. UGI submits that these rolling averages do not fairly reflect the actual operating characteristics of a small EDC.

In establishing the proposed Standards, the Commission recognizes that the use of standard deviations is more appropriate than in simply selecting a fixed percentage. However, the Commission's Tentative Order then sets the new standards using selected fixed percentages. The use of these fixed percentages does not take into account the variability of the data embodied within the three indices. Using statistical analysis to establish the standards would capture statistical differences that occur in the data forming the benchmarks.

UGI accordingly believes the proper way to develop reliability standards is through the use of a statistical analysis, and suggests that standards be established at 1.5 standard deviations for the twelve month rolling average, and one standard deviations for the moving thirty-six month rolling average. Basing the proposed standards upon standard deviations will reflect the inherent variability embedded within each EDC.

Should the Commission feel that the use of standard deviations is not appropriate, UGI would strongly encourage the Commission to move the benchmark for small EDCs, such as UGI, to 45 percent for the 12-month rolling average, and 15 percent for the 36-month rolling average. Under the bandwidths proposed by the Commission, a series of vehicle accidents or unusual weather conditions would cause UGI, at some point in the future, to fall outside the proposed bandwidths. As the Commission acknowledges in the Tentative Order, smaller companies have fewer circuits than larger companies, and therefore each outage will generally impact a larger percentage of customers than a larger EDC.

UGI would note that during 2002, at least 37 percent of the outages were caused by factors that are outside the control of the EDCs.<sup>2</sup> The laws of averages suggest that at some point, through no fault of UGI, there will be enough of these random occurrences to cause UGI

---

<sup>1</sup> Tentative Order, page 10.

to exceed the Tentative Order's proposed 35 percent benchmark. Moreover, when such random occurrences cause a single year's results to exceed the proposed 35 percent standard, it will be virtually impossible to meet the 3-year ten percent standard.

The revised standard for small EDCs proposed by UGI and EAP provides more leeway to account for random uncontrollable occurrences, although even under these standards apparent violations may occur due to events totally beyond the control of a smaller EDC.

**THE COMMISSION SHOULD ELIMINATE  
AMBIGUITIES CONCERNING ITS PROPOSED  
ENFORCEMENT ACTIONS**

The Tentative Order states that the Commission "will not view performance that consistently falls within the bandwidth between the benchmark and the standard, but does [not] trend towards the benchmark, as acceptable."<sup>3</sup> The Tentative Order also states "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."<sup>4</sup> The Commission goes on to further state that "repeated violations of the two tier standard shall result in enforcement action including fines and other remedies available."<sup>5</sup>

UGI requests that the Commission clarify its intended enforcement policy. In no event should enforcement actions be initiated until an EDC is provided an opportunity to identify the factors impacting the results. As explained above, a failure to meet a benchmarks or standards

---

<sup>2</sup> These events include lightning strikes, motor vehicle accidents, public digging accidents, extreme wind and animals.

<sup>3</sup> Tentative Order at page 13.

<sup>4</sup> Tentative Order at page 11.

<sup>5</sup> Tentative Order at page 11.

does not automatically mean reliability is deteriorating; it could simply mean that a random, controllable event or series of events occurred.

Enforcement actions for violating arbitrary indices, without a full understanding of the facts, is not the best means of encouraging reliability, and could lead to unintended consequences. For example, during outages recently associated with Hurricane Isabel, about 4,500 UGI customers lost service. This level of outages did not fall within the Commission's definition of a Major Event. These outages were scattered over the entire service territory and there were no large pockets of customers out of service. During the storm, however, one of UGI's circuits tripped off line causing another 3,500 customers to lose service. A system operator was able to manually return these customers to service within approximately three minutes. If the customers had been left off-line for another two minutes, they would have been included in the storm related data, and would have caused the outages associated with Hurricane Isabel to be classified as a Major Event. As a Major Event, these outages would be excluded from the reported indices. Instead, because of good operations, UGI's data will reflect the fact that 3,200 customers lost power during Hurricane Isabel. This will negatively impact the data and the results being reported by UGI over the next 12 to 36 months.

If the Commission adopts an arbitrary enforcement policy for any violation of the proposed standards, it will simply create incentives to manage to the standards, rather than to maximize reliability. A declaration by the Commission that they will investigate and consider the causes of variations from the standards will conversely encourage EDCs to focus on maximizing reliability.

UGI submits that if the small EDC standards are exceeded in a quarterly report, a multi step process should be used that would provide a full examination of the reasons behind the deviation within a certain index. An example of such a process would be:

- Evaluate the subsequent two quarterly reports. If the index in question is showing a continuing worsening of reliability, the Commission would then open an investigation. If the Index in question has improved over the subsequent two reports, no action is necessary.
- If after evaluating the two subsequent reports, the index in question is showing an improving trend towards the Standard and Benchmark, but the results are still above the standard, the EDC would fall under a probationary period. This would require further evaluation of the next two quarterly reports. If after these two, the results are not below the standard, the Commission could then open a formal investigation.

In no circumstances should UGI be subject to penalties for events totally beyond its control.

Respectfully submitted,

---

Mark C. Morrow  
460 North Gulph Road  
King of Prussia, PA 19406  
Tel.: 610.337.1000  
Fax.: 610.992.3258  
morrowm@ugicorp.com

Dated: October 10, 2003