to be published 10-4-03

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

September 19, 2003

Mary Jane Phelps, Director
Pennsylvania Code & Bulletin
Room 647, Main Capitol Building
Harrisburg, PA 17120

DOCUMENT
FOLDER

Re: L-00030161/57-228
Proposed Rulemaking
Amending Electric Service Reliability Regulations
52 Pa. Code Chapter 57

Dear Ms. Phelps:

Enclosed please find two (2) copies of the face sheet and above-captioned order along with a diskette containing the Executive Summary, Commission order and Annex A. The Attorney General approved the proposal on August 21, 2003. The Commission requests that this order be published as a **proposed** rulemaking in the Pennsylvania Bulletin.

Very truly yours,

Veronica A. Smith

Veronica A. Smith
Executive Director

DOCKETED
SEP 23 2003

Enclosure
cc: Chief Counsel Pankiw
Regulatory Coordinator DelBiondo
Assistant Counsel Barnes
Mr. Sheets
Docketing √

CDL - 1

FACE SHEET
FOR FILING DOCUMENTS
WITH THE LEGISLATIVE REFERENCE BUREAU

(Pursuant to Commonwealth Documents Law)

DO NOT WRITE IN THIS SPACE

Copy below is hereby approved as to form and legality. Attorney General.	Copy below is hereby certified to be true and correct copy of a document issued, prescribed or promulgated by:	Copy below is hereby approved as to form and legality. Executive or independent Agencies.
BY Amy M. Elliott (DEPUTY ATTORNEY GENERAL)	Pennsylvania Public Utility Commission (AGENCY)	BY Bohdan R. Pankiw Bohdan R. Pankiw Chief Counsel
AUG 21 2003 DATE OF APPROVAL	DOCUMENT/FISCAL NOTE NO. L-00030161/57-228 DATE OF ADOPTION June 26, 2003 BY James J. McNulty James J. McNulty TITLE (SECRETARY)	6-26-03 DATE OF APPROVAL
☐ Check if applicable Copy not approved. Objections attached		☐ Check if applicable. No Attorney General approval or objection within 30 days after submission.

DOCUMENT FOLDER

L-00030161/57-228
Proposed Rulemaking
Amending Electric Service Reliability Regulations
52 Pa. Code, Chapter 57

The Pennsylvania Public Utility Commission on June 26, 2003, adopted a proposed rulemaking order which amends existing regulations by establishing performance and benchmark standards designed to ensure EDC performance does not deteriorate since passage of the Electric Generation Customer Choice and Competition Act. The contact persons are Elizabeth Barnes, Law Bureau, 772-5408 and Thomas Sheets, Bureau of Audits, 783-5000.

EXECUTIVE SUMMARY

L-00030161
Proposed Rulemaking
Re: Amending Electric Service Reliability Regulations
at 52 Pa.Code Chapter 57

The Electricity Generation Customer Choice and Competition Act (Act), 1996, Dec. 3, P.L. 802, No. 138 §4, became effective January 1, 1997. The Act amends Title 66 of the Pennsylvania Consolidated Statutes ("Public Utility Code" or "Code") by adding Chapter 28 to establish standards and procedures to create direct access by retail customers to the competitive market for the generation of electricity, while maintaining the safety and reliability of the electric system. Specifically, the Commission was given a legislative mandate to ensure that levels of reliability that were present prior to the restructuring of the electric utility industry would continue in the new competitive markets.

In response to this legislative mandate, the Commission adopted a final rulemaking order on April 23, 1998 at Docket No. L-00970120, setting forth various reporting requirements designed to ensure the continuing safety, adequacy and reliability of the generation, transmission and distribution of electricity in the Commonwealth. *See* 52 Pa. Code §§57.191-57.197. The final rulemaking order also suggested that the Commission could reevaluate its monitoring efforts at a later time as deemed appropriate.

On June 12, 2002, the Legislative Budget and Finance Committee (LB&FC) issued a Report entitled, *Assessing the Reliability of Pennsylvania's Electric Transmission and Distribution Systems*. The LB&FC Report made several recommendations regarding the issue of reliability

Shortly thereafter, on July 18, 2002, at M-00021619, the Commission adopted its Bureau of Conservation Economics and Energy Planning's (CEEP) *Inspection and Maintenance Study of Electric Distribution Systems* dated July 3,

2002. CEEP, in part, recommended that the annual reliability reporting requirements be revised to include the causes of outages and percentages categorized by type as well as the annual reporting of each company's plans for the upcoming year's inspection and maintenance of transmission systems including: 1) vegetation management; 2) distribution and substation maintenance activity; and 3) capital improvement projects. The Commission agreed with CEEP's recommendations in this regard.

The Commission created a Staff Internal Working Group on Electric Service Reliability (Staff Internal Working Group) to conduct a reevaluation of its electric service reliability efforts. The group was comprised of members of Commission bureaus with either direct or indirect responsibility for monitoring electric service reliability. The Staff Internal Working Group prepared a report, entitled *Review of the Commission's Monitoring Process for Electric Distribution Service Reliability*, dated July 18, 2002, which reviewed the Commission's monitoring process for electric distribution service reliability and provided comments on recommendations from the LB&FC report. The Staff Internal Working Group report also offered recommendations for tightening the standards for reliability performance and establishing additional reporting requirements by electric distribution companies (EDCs).

On August 29, 2002, the Commission issued an Order at Docket No. D-02SPS021 that tentatively approved these recommendations and directed the Commission staff to undertake the preparation of orders, policy statements, and proposed rulemakings as may be necessary to implement the recommendations contained in the Staff Internal Working Group's report. The Staff Internal Working Group was assigned the responsibility to implement the recommendations. The Staff Internal Working Group, with the legal assistance of the Law Bureau, determined which implementation actions could be accomplished internally (with or without a formal Commission Order), and which actions will require changes to regulations.

The Staff Internal Working Group conducted field visits to EDCs to identify the current capabilities of each EDC for measuring and reporting reliability performance. These field visits began in October 2002 and continued intermittently through March 2003. As a result of the field visits, various forms of reliability reports and reliability data were received from the EDCs and analyzed by the Staff Internal Working Group to determine the most effective and reasonable approach for the Commission to monitor electric distribution service reliability.

This Proposed Rulemaking Order seeks to implement Staff Internal Working Group's recommendations and sets forth proposed regulations to better govern the reliability of electric service in Pennsylvania and assure that service does not deteriorate after the Act. Specifically, we propose to substitute the term "operating area" with "service territory" thus altering the definition of a "major event." Additionally, we want to require the EDCs to file quarterly reports as well as the currently required annual reports. We wish the EDCs to report additional information on their reports, i.e. worst circuit information as well as their standards and plans for inspection and maintenance of their distribution systems.

The contact persons are Elizabeth Barnes, Law Bureau (717) 772-5408, and Thomas Sheets, Bureau of Audits (717) 783-5000.

PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Public Meeting held June 26, 2003

Commissioners Present:

Terrance J. Fitzpatrick, Chairman
Robert K. Bloom, Vice Chairman
Aaron Wilson, Jr.
Glen R. Thomas
Kim Pizzingrilli

Rulemaking Re Amending Electric Service Reliability Regulations at 52 Pa.Code Chapter 57 — Docket No. L-00030161

PROPOSED RULEMAKING ORDER

BY THE COMMISSION:

Today, in conjunction with our Tentative Order at M-00991220, we reexamine our regulations and seek to significantly improve the monitoring of reliability performance in the electric distribution industry.

Procedural History

The Electricity Generation Customer Choice and Competition Act (Act), 1996, Dec. 3, P.L. 802, No. 138 §4, became effective January 1, 1997. The Act amends Title 66 of the Pennsylvania Consolidated Statutes ("Public Utility Code" or "Code") by adding Chapter 28 to establish standards and procedures to create direct access by retail customers to the competitive market for the generation of electricity, while maintaining the safety and reliability of the electric system. Specifically, the Commission was given a legislative mandate to ensure that levels of reliability that were present prior to the restructuring of the electric utility industry would continue in the new competitive markets.

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The Staff Internal Working Group conducted field visits to EDCs to identify the current capabilities of each EDC for measuring and reporting reliability performance. These field visits began in October 2002 and continued intermittently through March 2003. As a result of the field visits, various forms of reliability reports and reliability data were received from the EDCs and analyzed by the Staff Internal Working Group to determine the most effective and reasonable approach for the Commission to monitor electric distribution service reliability.

This Order discusses the Staff Internal Working Group's recommendations which are based upon additional information and data received since September, 2002, and sets forth, in Annex A, proposed regulations governing the reliability of electric service in Pennsylvania.

Discussion

Based upon our review of each EDC's capabilities for measuring and monitoring reliability performance, the Commission implements the following actions to address the recommendations cited in the Inspection and Maintenance of Electric Distribution Systems Study and the Review of the Commission's Monitoring Process for Electric Distribution Service Reliability.

Proposed amendments to existing regulations at 52 Pa. Code §57.191- 57.197

§ 57.191 Purpose

No changes.

§ 57.192. Definitions.

Operating Area Definition

This definition has been deleted since the concept of operating areas will no longer be used under the proposed changes. An "operating area" was defined by Section 57.192 as being, "A geographical area, as defined by an electric distribution company, of its franchise service territory for its transmission and distribution operations." Prior to issuing its Reliability Report, the Staff Internal Working Group discovered that, in some cases, the companies internally had different operating areas than those that were reported to the Commission for the purposes of reporting reliability statistics.

In Recommendation No. IV-3 of the July 18, 2002 Reliability Report, the Staff Internal Working Group suggested that the Commission require the EDCs to provide reliability indices based on the same operating configurations used to manage their daily operations.

In order to establish electric reliability benchmarks and standards after passage of the Act, each EDC was asked to provide historical service reliability performance indicators (reliability indices) for its operating areas and system as a whole. Each EDC was given the discretion to define its operating areas according to 52 Pa. Code § 57.192, which defines "operating area" as follows:

> A geographical area, as defined by an electric distribution company, of its franchise service territory for its transmission and distribution operations.

Some EDCs designated multiple operating areas in their system while others designated their entire system as the sole operating area. On December 16, 1999, the Commission ordered the establishment of permanent electric service reliability performance benchmarks and standards for each EDC pursuant to 52 Pa. Code § 57.194(h)(1). These benchmarks and standards are based on the historical reliability indices for the operating areas designated by each EDC. Likewise, the electric service reliability performance reported by each EDC to the Commission pursuant to 52 Pa. Code § 57.195 is based on the same operating areas designated by each EDC.

The Staff Internal Working Group found that some EDCs internally report and monitor their electric service reliability performance by areas different than those areas designated for the establishment of electric reliability performance benchmarks and standards, and reporting purposes to the Commission. Another concern is that there is the potential for an EDC to define its operating areas to serve such a small number of customers that most service interruptions in an operating area could (by definition under 52 Pa. Code § 57.192) be considered a major event, and any related outage data would be excludable from any reported reliability performance. As noted previously, the Staff Internal Working Group recommended that the Commission require EDCs to provide reliability indices based on the same operating area configurations used to manage the daily operations of their systems.

However, since its July, 2002 Reliability Report, and after further discussion with industry representatives, the Staff Internal Working Group now recommends to the Commission that the EDCs do not use the designated operating areas reported to the Commission for monitoring their electric service reliability performance. The exception would be any EDC that has designated its entire service territory as its sole operating area. In fact, the EDCs have informed the Internal Working Group that they often have to perform additional calculations at the end of the year to report their electric service reliability performance based on these previously designated operating areas. The only use of these operating areas is to report annual performance to the Commission. The EDCs have indicated that they manage their daily operations on a system-wide basis, and therefore, measure and monitor their reliability performance on a system-wide basis.

To avoid the potential for masking problems in small pockets of an EDC's service territory, circuit reliability will be analyzed. The EDCs will be required to report by circuit[1] instead of by operating areas. Specifically, the EDCs will be required to report on a quarterly basis their 5% worst performing circuits as calculated based upon the reliability indices and other relevant factors (e.g. lockouts).

In order to effectively compare and trend the EDCs' current reliability performance to historical performance, the benchmarks will be recomputed to reflect the replacing of the term "operating areas" with "service territory" in our regulations. This change in definition causes a change in the criterion used to exclude major outages. Thus, the benchmark must be recomputed. The recomputed benchmarks and standards for each individual EDC are further discussed in our Tentative Order at M-00991220, Amended Reliability Benchmarks and Standards for the Electric Distribution Companies.

It must be made clear that the proposed phrase "the electric distribution company's service territory" means an individual EDC's service territory, regardless of whether the EDC is part of a larger system or has merged with another entity.

Major Event Definition

All references to "operating areas" are replaced with the term "service territory" in the "major event" definition for the reasons outlined above.

Additionally, as noted in our companion Amended Reliability Benchmarks and Standards Tentative Order at M-0099120, we require a formal process to request the exclusion of service interruptions for reporting purposes by proving a service interruption qualifies as a major event as defined by regulations. The Commission is providing EDCs with a form for requesting exclusion of data due to a major event.

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[1]Circuit is defined as a number of electrical components connected together in a closed loop.

§ 57.193. Transmission system reliability.

No changes.

§ 57.194. Distribution system reliability.

Through regulations and orders, the Commission has established reporting requirements, benchmarks and standards for EDC reliability performance. Currently, EDCs report their performance on the CAIDI, SAIFI, SAIDI, and (as available) MAIFI[2] indices to the Commission on an annual basis. These are generally accepted indices of EDC reliability that measure the frequency and duration of outages at the system or customer level.

The existing regulations at Chapter 57 did not establish the benchmarks or the standards for CAIDI, SAIFI, SAIDI or MAIFI for each company. Instead, the benchmarks and standards were set by Commission Order on December 16, 1999 at Docket No. M-00991220.

Revisions to the language in 57.194(e) and (h)(2)-(4) are proposed to clarify the Commission's expectations for reliability performance in relation to performance benchmarks and performance standards. The Commission's expectations for EDC

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[2] CAIDI is Customer Average Interruption Duration Index. It is the average interruption duration of sustained interruptions for those customers who experience interruptions during the analysis period. CAIDI represents the average time required to restore service to the average customer per sustained interruption. It is determined by dividing the sum of all sustained customer interruption durations, in minutes, by the total number of interrupted customers. SAIFI is System Average Interruption Frequency Index. SAIFI measures the average frequency of sustained interruptions per customer occurring during the analysis period. SAIDI is System Average Interruption Duration Index. SAIDI measures the average duration of sustained customer interruptions per customer occurring during the analysis period. MAIFI (Momentary Average Interruption Frequency Index) measures the average frequency of momentary interruptions per customer occurring during the analysis period. These indices are accepted national reliability performance indices as adopted by the Institute of Electrical and Electronics Engineers, Inc. (IEEE), and are defined with formulas at 52 Pa. Code §57.192.

reliability are based on language found at §2802(12) and §2804(1) of the Electric Generation Customer Choice and Competition Act (the Act). Section 2802(12) notes that the purpose of the Act, in part, is:

> [T]to create direct access by retail customers to the competitive market for the generation of electricity while maintaining the safety and reliability of the electric system for all parties. Reliable electric service is of the utmost importance to the health, safety and welfare of the citizens of the Commonwealth. Electric industry restructuring should ensure the reliability of the interconnected electric system by maintaining the efficiency of the transmission and distribution system.

Section 2804(1) of the Act sets forth standards for restructuring the electric industry. This section states, "The Commission shall ensure continuation of safe and reliable electric service to all customers in the Commonwealth. . ."

Consistent with the Act, the Commission's policy is to ensure that EDC reliability performance after the implementation of the Act be equal to the level achieved prior to the introduction of Electric Competition. In a series of orders at Docket No. M-00991220, the Commission established reliability benchmarks and standards for each EDC. The benchmarks were based on each company's historic performance from 1994-1998. The benchmarks, therefore, represented each EDC's historical reliability performance level prior to the implementation of electric choice in 1999. The Commission also established performance standards which took into account the variability in each EDC's reliability performance during the 1994-1998 period. The performance standards were set two standard deviations higher than the benchmarks (lower metric scores equal better performance) to allow for a degree of variability that inevitably occurs in reliability performance from year to year.

In the Commission's review of the language in Section 57.194 pertaining to benchmarks and standards for distribution system reliability, we determined that the language needs clarification to specify the roles that benchmarks and standards have in relationship to the Commission's expectation for EDC reliability performance. We do not want to send the message that long-term reliability performance that just meets the performance standard is acceptable. Long-term performance that only meets the standard could be significantly worse than the benchmark and thus worse than the historical performance level that existed prior to the introduction of Electric Choice. Such performance would clearly not be consistent with the intent or language of the Act and the Commission's policy objective for maintaining reliability performance after the introduction of Electric Choice at least as good as it was prior to Electric Choice. Therefore, the Commission emphasizes that long-term reliability performance should be at least equal to the benchmark performance.

In order to clarify language in Section 57.194, we have revised the wording in subsection (h) to indicate that EDCs shall take measures to meet the reliability "performance benchmark" in the long term, in addition to meeting the performance standards in the shorter term. In Section 57.194(h)(2), we have inserted language clarifying that the benchmark represents the Commission's expectation of future, long-term reliability performance. Section 57.194(h)(4) is modified to state that an EDC shall inspect, maintain and operate its distribution system as well as analyze "reliability results" and take corrective measures as necessary to ultimately achieve "benchmark performance" rather than the performance standard.

While clarifying our language to emphasize long-term performance at the benchmark level, we acknowledge that performance in a given year or so may vary from the benchmark. Therefore, we continue to find the concept of a performance standard to be a useful tool for monitoring performance in the near term. When performance on any measure falls outside the standard, Commission staff will engage in an additional review with the EDC to determine whether reliability performance is deteriorating, which could contribute to an EDC not maintaining benchmark performance in the long term.

We have also made a revision to the language at §57.194(h)(2) stating that the benchmark will be based on a company's historic service territory performance for that measure versus performance for each EDC operating area. This revision is consistent with changes to the definition of a Major Event that is revised to reflect an interruption which affects at least 10% of the customers in the electric distribution company's "service territory" versus a designated operating area (refer to §57.192). Together, these changes will result in all EDCs calculating and reporting reliability performance based on the entire service territory.

§ 57.195. Reporting requirements.

Under paragraph (a), we propose that the annual reliability report be submitted by March 31 of each year. Currently, the EDCs annually submit reliability performance reports by May 31 following the year being reported on. If an EDC experiences poor performance in the year being reported on, five or more months will pass before the Commission has the ability to determine if the EDC has sufficient corrective measures in place. At the time of receiving the report, it is too late in the year for the EDC to effectively revise its reliability program to address the concerns of the Commission. The EDCs have agreed that an annual report could be submitted by March 31. Under subparagraph (1) we are requiring EDCs to submit 6 instead of 5 reports, so that all interested parties within the Commission will receive a copy.

Under paragraph (b), we propose, at a minimum, that certain elements be included in the annual reliability report for the larger electric distribution companies. To clarify which EDCs qualify as a larger electric distribution company, we propose that those companies with 100,000 or more customers be considered a larger EDC[3]. This would include the current set of EDCs that have been considered to be the larger EDCs for reliability monitoring purposes. At a minimum, the following elements are to be reported by the larger EDCs: (The numbering below corresponds with the proposed regulations.)

(1) An overall current assessment of the state of system reliability in the EDC's service territory, including a discussion of the EDC's current programs and procedures for providing reliable electric service. This was previously part (i). The additional language is intended to emphasize that a "current "(not dated) assessment of the overall state of system reliability is to be provided and that "current" programs and procedures are to be the focus of discussion.

(2) Revised to clarify that the major events to be reported are those that occurred during the reporting year.

(3) This revision specifically identifies which reliability indices should be reported, and provides that the indices should be reflective of measuring performance based on excluding major event data using the entire service territory criterion. This is consistent with the proposed change in the definition of a major event. Also, it is being proposed that the EDCs report reliability values for the preceding three years instead of the preceding five years to be consistent with the Commission's proposal to establish rolling 3-year average standards. This revision

[3] Large EDCs currently include: Allegheny Power, Duquesne Light, Met-Ed, Penelec, Penn Power, PECO and PPL.

also specifically requires that the raw data used to calculate the reliability indices be provided to understand what factors are driving the reported performance.

(4) Monitoring of the causes of service outages will enable the Commission to identify trends, and will form a basis for further discussion with the EDCs as well as analysis of service problems.

(5) Since the Commission proposes to examine electric service reliability on a service territory basis, rather than on an operating area basis, we have determined that a review of worst performing circuits will be an appropriate approach to monitoring the efforts of the EDCs to improve service performance in specific areas of the service territory. It is being proposed in §57.195(e)(3) for EDCs to report the worst performing 5% of circuits in the system on a quarterly basis. In addition, we are requiring that the EDCs include in their annual reliability report to the Commission a list of the remedial efforts that have been taken or are being planned for the circuits that have been on the list of worst performing circuits for a year or more. This information will enable the Commission to determine if sufficient remedial efforts have been implemented for circuits that continue to be problematic and/or understand the problems being encountered by the EDC in its attempts to remediate poor performing circuits.

(6), (7), (8), (9), (10), (11) and (12) In the Commission's final rulemaking order of April 23, 1998 (Docket No. L-00970120), setting forth reporting requirements relating to electric service reliability, the Bureau of CEEP was directed to conduct a study of the issue of whether specific inspection and maintenance standards should be developed for electric distribution systems. The staff study recommended that, in lieu of standards, the EDCs be required to submit documentation on inspection and maintenance activities. Further reporting requirements in this area will assist the Commission in assuring that the EDCs are carrying out their own plans for maintaining electric service reliability.

We therefore propose that the EDCs provide in their annual report a comparison of the previous year's inspection and maintenance goals to the actual results achieved. Most of this information can be easily reported in a one-page format. (See Attachment A for an example). We also propose the submission of comparisons of the previous year's budgeted versus actual transmission and distribution operation and maintenance expenses, and capital expenditures. Since the EDCs are already monitoring their inspection/maintenance goals and operating/capital budgets, this information should be readily available. In addition to the previous year budgeted/actual comparisons, budgeted goals and expenditures for the current year are being requested. Finally, a discussion of significant changes to the transmission and distribution inspection and maintenance programs would also be required.

Under paragraph (c), we propose to require the small EDCs (those with less than 100,000 customers) to annually provide the same information as in paragraph (b) except for requirement (5). These smaller EDCs, Citizens' Electric Company, Pike County Light and Power Company and Wellsboro Electric Company, have a small number of circuits in their system configurations. Thus, they are constantly aware of the condition of all of the circuits and there is no need for them to report on the 5% worst performing circuits.

In addition to the annual report, proposed paragraphs (d), (e) and (f) require the submission of a quarterly reliability report. This report will include a rolling 12-month computation of the reliability indices, a rolling 12-month analysis of circuit reliability, and a description of any remedial action taken to correct problems. The purpose of requiring a quarterly report is to provide more frequent information to the Commission about service reliability. This will enable the Commission to identify potential problems in a timely manner and monitor the EDC's response to problems which may arise between annual reports. The quarterly report requires a description of each major event occurring during the preceding quarter that the EDC has excluded from its reported data.

The quarterly report will also require the submittal of rolling 12-month reliability indices values for the entire service territory and for the worst performing 5% of the system's circuits. The worst performing 5% of circuits means the worst 5% of the total circuits on the system. While the methodology used to identify these circuits may vary among the EDCs, most EDCs use the reliability indices and other related factors. The EDCs already perform this type of analysis and agree that this information will be enable the Commission to detect any adverse performance trends in specific segments of the system and track the progress of any corrective measures the EDC has undertaken. Also, a discussion of specific remedial efforts taken or planned for the worst performing circuits will be required.

As with the annual report, we are proposing to require documentation on inspection and maintenance goals and expenses. However, this information will consist mainly of quarterly and year-to-date budget versus actual comparisons. We also propose to require information on staffing levels for transmission and distribution operation and maintenance as well as information on contractor hours and expenses. Again, we expect to continually monitor these activities, expenses, and staffing levels on a timely basis to ensure that sufficient resources are being devoted to the reliability of electric service.

We are also interested in receiving information on monthly call-out acceptance rates for transmission and distribution maintenance workers. There are times when, during a storm which causes numerous customer outages, the acceptance rate of line crews (the percentage of time that the maintenance workers accept a call for repairing equipment and restoring service) is low. The monthly call-out acceptance rates may provide some perspective on reliability performance.

Proposed paragraph (f) limits the quarterly reporting requirements for the smaller EDCs to subparagraphs (e)(1), (2) and (5). This is to reduce the reporting burden of these companies, reflecting the size, configuration, and operational aspects of their systems.

Language has been revised in paragraph (g), which was formerly paragraph (d), to make it clear that performance which does not meet the Commission's established performance standards is not necessarily indicative of unacceptable performance. Only after further review of the circumstances can it be determined whether any performance is problematic. A revision has also been made such that the Commission will determine, in each circumstance, whether or not to require the reporting of additional information. Depending on the factual information provided by the EDC, the situation may or may not suggest a further examination of the reasons for not meeting the standards.

Proposed paragraph (h) requires an EDC to timely report any problems it is having with its data gathering system used to report reliability. This will alert the Commission of the problem and permit the Commission to monitor the EDC's attempt to resolve the matter.

Consistent with the LB&FC recommendation, proposed paragraph (i) states that the Commission will prepare an annual reliability report and make it available to the public. Electric service reliability is important to the citizens of the Commonwealth and they have a right to know the status of reliability in their area.

§ 57.196. Generation reliability

No changes.

§ 57.197. Reliability investigations and enforcement

No changes.

Accordingly, under 66 Pa.C.S. §§2801 *et seq.* and the regulations promulgated thereunder at 52 Pa.Code §§57.191-57.197; and sections 201 and 202 of the act of July 31, 1968 (P.L. 769, No. 240)(45 P.S. §§1201 and 1202) and the regulations promulgated thereunder at 1 Pa.Code §§7.1, 7.2 and 7.5; section 204(b) of the Commonwealth Attorneys Act (71 P.S. §732.204(b)); section 5 of the Regulatory Review Act (71 P.S. §732.204(b)); and section 612 of The Administrative Code of 1929 (71 P.S. §232) and the regulations promulgated thereunder at 4 Pa.Code §§7.251-7.235, we are considering adopting the proposed regulations set forth in Annex A; **THEREFORE,**

IT IS ORDERED

1. That the proposed rulemaking be opened to consider the regulations set forth in Annex A.
2. That the Secretary submit this Order, Attachment A, and Annex A to the Office of Attorney General for review as to form and legality and to the Governor's Budget Office for review of fiscal impact.

3. That the Secretary certify this Order, Attachment A and Annex A and deposit them with the Legislative Reference Bureau to be published in the *Pennsylvania Bulletin.*

4. That an original and fifteen (15) copies of any comments referencing the docket number of the proposed regulations be submitted within sixty (60) days of publication in the *Pennsylvania Bulletin* to the Pennsylvania Public Utility Commission, Attention: Secretary, P.O. Box 3265, Harrisburg, PA 17105-3265. When preparing comments, Parties should consider this Order in conjunction with the Tentative Order regarding benchmarks and standards at M-00991220.

5. That a copy of any comments be filed electronically to contact person Elizabeth H. Barnes at ebarnes@state.pa.us.

6. That the contact persons for this rulemaking are (technical) Thomas Sheets, Director of Bureau of Audits, (717)783-5000 and (legal) Elizabeth H. Barnes, Law Bureau, (717)772-5408.

7. That a copy of this Order and Annex A be filed at Docket No. M-00991220.

8. That a copy of this Order and Annex A be served upon all electric distribution companies operating in Pennsylvania, the Office of Consumer Advocate, and the Office of Small Business Advocate.

9. That all EDCs operating within the Commonwealth are directed to file quarterly reports, beginning September 30, 2003, and

annual reports beginning March 31, 2004, which comply with these proposed regulatory requirements.

BY THE COMMISSION:

James J. McNulty

Secretary

ORDER ADOPTED: June 26, 2003

ORDER ENTERED: June 27, 2003

ATTACHMENT A

2003 Goals - Complete Planned Work for Ensuring Reliability - Pennsylvania Operations Only
Results as of: May 1

Program/Project	Unit of Measurement	Target for 2003	Actual Completed YTD	% Completed	% of Total Goal	% Earned of Total Goal
Forestry Goals						
Transmission Herbicide Application	# Transmission Lines	12	0	0.0%	3.1%	0.0%
Transmission Lines Trimming and Clearing	# Transmission Lines	52	6	11.5%	3.2%	0.4%
Subtransmission Herbicide Application	# of Subtransmission Lines	73	4	5.5%	3.1%	0.2%
Subtransmission Line Trimming and Clearing	# of Subtransmission Lines	98	12	12.2%	3.1%	0.4%
Distribution Line Trimming, Clearing & Herbicide Applic.	# of Distribution Line Miles	7,577	1,198	15.8%	25.0%	4.0%
Subtotal - Forestry Goals				**13.0%**	**37.5%**	**4.9%**
Transmission Lines ERS Goals						
Major Projects (Capital) for Reliability	Budget Dollars	$ 3,847,000	$ 2,689,954	69.9%	15.7%	11.0%
Transmission Comprehensive Patrol	# Transmission Lines	1	1	100.0%	0.9%	0.9%
Transmission General Patrol	# Transmission Lines	117	0	0.0%	0.7%	0.0%
Ground & Footer Inspections	# Transmission Lines	1	0	0.0%	0.3%	0.0%
Pole Inspection	# Transmission Lines	0	0	0.0%		0.0%
Pole Reinforcements	# Transmission Line Poles	0	0	0.0%		0.0%
Pole Replacements	# Poles	0	0	0.0%		0.0%
Critical Transmission Repairs	# Critical Items	2	2	100.0%	0.5%	0.5%
Priority Transmission Repairs	# Critical Items	7	2	28.6%	0.5%	0.1%
Non-Critical Transmission Repairs	# Non-Critical Items (identified in 2001 & before)	47	0	0.0%	2.3%	0.0%
Transmission Tower Painting	# Towers	0	0	0.0%		0.0%
Subtotal - Transmission Lines Goals				**59.9%**	**20.9%**	**12.5%**
Substation Goals						
SS Work (Includes Capital, Planned, & Preventative)	Man-Hours	67,088	18,800	28.0%	11.4%	3.2%
SS Spraying	Budget Dollars	$ 70,200	$ 18,800	26.8%	0.2%	0.1%

Controls Work (Includes Cap., Planned, & Preventative)	Man-Hours	13,916	2,374	17.1%	2.5%	0.4%
Subtotal - Substation Goals				**26.1%**	**14.1%**	**3.7%**
OH Distribution Lines Goals						
Subtransmission General Patrol	# Subtransmission Lines	333	0	0.0%	0.2%	0.0%
Individual Budget Projects for Reliability	Man-Hours	12,109	2,137	17.6%	3.0%	0.5%
Small Planning Projects	Man-Hours	27,386	6,025	22.0%	9.2%	2.0%
Steel Wire Replacement	Line Miles	0	0	0.0%		0.0%
Pole Inspection	# of Circuits	84	29	34.5%	3.3%	1.1%
Pole Reinforcement	# of Poles	0	0	0.0%	0.3%	0.0%
Danger Poles	# Danger Poles	0	0	0.0%	0.7%	0.0%
Reject Poles	# Reject Poles	0	0	0.0%	1.4%	0.0%
Annual Inspection & Maintenance Work	Points Completed	2,669	1,079	40.4%	0.3%	0.1%
Reliability Improvement Program	$ Spent	1,110,000	28,160	2.5%	3.3%	0.1%
UG Equipment Inspections	# Locations	6,673	3,967	59.4%	0.3%	0.2%
Regulator Inspections	# Regulators	134	53	39.6%	0.3%	0.1%
Capacitors Inspections	# Capacitors	1,218.0	899.0	73.8%	0.3%	0.2%
Recloser Replacements	# Reclosers	192	81	42.2%	0.3%	0.1%
Structured Maintenance - Street Lights	# Street Lights	20,635	7,218	35.0%	3.0%	1.0%
Subtotal - Overhead Distribution Lines Goals				**21.6%**	**25.9%**	**5.6%**
UGD Distribution Lines Goals						
Pad Mount Transformer Painting	# Pad Mount Transformers	0	0	0.0%		0.0%
UG Equipment Inspections	# Locations	6,673	3,967	59.4%	0.3%	0.2%
UGD Cable Replacement	Budget Dollars	$ 130,000	$0	0.0%	0.4%	0.0%
Cable Injection	Budget Dollars	$ 201,000	$0	0.0%	0.6%	0.0%
Subtotal - Underground Distribution Lines Goals				**13.7%**	**1.3%**	**0.2%**
% Planned Work Completed YTD:						**26.8%**

ANNEX A

TITLE 52. PUBLIC UTILITIES
Part I. PUBLIC UTILITY COMMISSION
Subpart C. FIXED SERVICE UTILITIES
CHAPTER 57. ELECTRIC SERVICE

Subchapter N. ELECTRIC RELIABILITY STANDARDS

* * * * *

§ 57.192. Definitions.

The following words and terms, when used in this subchapter, have the following meanings, unless the context clearly indicates otherwise:

* * * * *

Major event –

(i) Either of the following:

(A) An interruption of electric service resulting from conditions beyond the control of the electric distribution company which affects at least 10% of the customers in [an operating area] <u>**the electric distribution company's service territory**</u> during the course of the event for a duration of 5 minutes each or greater. The event begins when notification of the first interruption is received and ends when service to all customers affected by the event is restored. [When one operating area experiences a major event, the major event shall be deemed to extend to all other affected operating areas of that electric distribution company.]

(B) An unscheduled interruption of electric service resulting from an action taken by an electric distribution company to maintain the adequacy and security of the electrical system, including emergency load control, emergency switching and energy conservation procedures, as described in § 57.52 (relating to emergency load control and energy conservation by electric utilities), which affects at least one customer.

(ii) A major event does not include scheduled outages in the normal course of business or an electric distribution company's actions to interrupt customers served under interruptible rate tariffs.

* * * * *

[*Operating area* – A geographical area, as defined by an electric distribution company, of its franchise service territory for its transmission and distribution operations.]

***Performance benchmark* – The average historical performance.**

***Performance standard* – Minimum performance allowed.**

* * * * *

§ 57.194. Distribution system reliability.

* * * * *

(e) An electric distribution company shall design and maintain procedures to achieve the reliability **performance benchmarks and** performance standards established under subsection (h).

* * * * *

(h) An electric distribution company shall take measures necessary to meet the reliability **performance benchmarks and** performance standards adopted under this subsection.

(1) In cooperation with an electric distribution company and other affected parties, the Commission will, from time to time, establish numerical values for each reliability index or other measures of reliability performance that identify the benchmark performance of an electric distribution company, and performance standards.

(2) The benchmark will be based on an electric distribution company's historic performance [for each operating area] for that measure **for the entire service territory.** [In establishing the benchmark, the Commission may consider historic superior or inferior performance or system-wide performance.]

(3) The performance standard shall be the **short term**, minimal level of performance for each measure for all electric distribution companies[, regardless of the benchmark established]. **Performance that does not meet the standard for any reliability measure shall be the threshold for triggering additional scrutiny by the Commission. When performance does not meet the standard, the Commission will contact the electric distribution company regarding possible remedial review and reporting activities.**

(4) An electric distribution company shall inspect, maintain and operate its distribution system, analyze [performance] **reliability results,** and take corrective measures **as** necessary to achieve [the performance standard] **benchmark performance**. [An electric distribution company with a benchmark establishing performance superior to the performance standard shall maintain benchmark performance, except as otherwise directed by the Commission.]

§ 57.195. Reporting requirements.

(a) An electric distribution company shall submit **an annual reliability report** to the Commission, on or before [May] **March** 31 [,1999, and May 31] of each [succeeding] year [a reliability report which includes, at a minimum, the information prescribed in this section].

(1) An original and [5] **6** copies of the report shall be filed with the Commission's Secretary and one copy shall also be submitted to the Office of Consumer Advocate and the Office of Small Business Advocate.

(2) The name,[and telephone number] **title, telephone number, and e-mail address** of the persons [having] **who have** knowledge of the matters, and [to whom inquiries should be addressed,] **can respond to inquiries,** shall be included.

(b) The **annual reliability** report **for larger electric distribution companies (those with 100,000 or more customers)** shall include[an assessment of electric service reliability in the electric distribution company's service territory, by operating area and system wide]**, at a minimum, the following elements:**

(1) [The] **An overall current** assessment **of the state of the system reliability in the electric distribution company's service territory** [shall

include] **including** a discussion of the electric distribution company's **current** programs and procedures for providing reliable electric service.

(2) [The assessment shall include a] **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.

[(c) The report shall include a] **(3) A** table showing the actual values of each of the reliability indices [, and other performance measures required by this subchapter or Commission order, for each operating area and] **(SAIFI, CAIDI, SAIDI, and if available, MAIFI)** for the electric distribution **company's service territory** [company as a whole] for each of the preceding [5] **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 minutes 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.**

(4) A breakdown and analysis of outage causes during the year being reported on, including the number and percentage of service outages and customer interruption minutes categorized by outage cause such as equipment failure, animal contact, tree related, and so forth. Proposed solutions to identified service problems shall be reported.

(5) A list of remedial efforts taken to date and planned for circuits that have been on the worst performing 5% of circuits list for a year or more.

(6) A comparison of established transmission and distribution inspection and maintenance goals/objectives versus actual results achieved during the year being reported on. Explanations of any variances shall be included.

(7) A comparison of budgeted versus actual transmission and distribution operation and maintenance expenses for the year being reported on. Explanations of any variances shall be included.

(8) A comparison of budgeted versus actual transmission and distribution capital expenditures for the year being reported on. Explanations of any variances shall be included.

(9) Quantified transmission and distribution inspection and maintenance goals/objectives for the current calendar year detailed by system area (i.e., transmission, substation, and distribution).

(10) Budgeted transmission and distribution operation and maintenance expenses for the current year in total and detailed by FERC account.

(11) Budgeted transmission and distribution capital expenditures for the current year in total and detailed by FERC account.

(12) Significant changes, if any, to the transmission and distribution inspection and maintenance programs previously submitted to the Commission.

(c) The annual reliability report for smaller electric distribution companies (those with less than 100,000 customers) shall include all items in (b) above except for requirement (5).

(d) An electric distribution company shall submit a quarterly reliability report to the Commission, on or before May 1, August 1, November 1, and February 1.

(1) An original and 6 copies of the report shall be filed with the Commission's Secretary and one copy shall also be submitted to the Office of Consumer Advocate and the Office of Small Business Advocate.

(2) The name, title, telephone number and e-mail address of the persons who have knowledge of the matters, and can respond to inquiries, shall be included.

(e) The quarterly reliability report for larger companies (those with 100,000 or more customers) shall, at a minimum, include the following elements:

(1) A description of each major event that occurred during the preceding quarter, 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.

(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.

(3) Rolling 12-month reliability index values (SAIFI, CAIDI, SAIDI, and if available, MAIFI) and other pertinent information such as customers served, number of interruptions, customer minutes interrupted, number of lockouts, and so forth, for the worst performing 5% of the circuits in the system. An explanation of how the electric distribution company defines its worst performing circuits shall be included.

(4) Specific remedial efforts taken and planned for the worst performing 5% of the circuits as identified in (3) above.

(5) A breakdown and analysis of outage causes during the preceding quarter, including the number and percentage of service outages and customer interruption minutes categorized by outage cause such as equipment failure, animal contact, tree related, and so forth. Proposed solutions to identified service problems shall be reported.

(6) Quarterly and year-to-date information on progress toward meeting transmission and distribution inspection and maintenance goals/ objectives.

(7) Quarterly and year-to-date information on budgeted versus actual transmission and distribution operation and maintenance expenditures. (For first, second, and third quarter reports only.)

(8) Quarterly and year-to-date information on budgeted versus actual transmission and distribution capital expenditures. (For first, second, and third quarter reports only.)

(9) Dedicated staffing levels for transmission and distribution operation and maintenance at the end of the quarter, in total and by specific category (e.g., linemen, technician, and electrician).

(10) Quarterly and year-to-date information on contractor hours and dollars for transmission and distribution operation and maintenance.

(11) Monthly call-out acceptance rate for transmission and distribution maintenance workers.

(f) The quarterly reliability report for smaller companies (those with less than 100,000 customers) shall, at a minimum, include items (1), (2) and (5) identified in (e) above.

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

(1) [An analysis of the service interruption patterns and trends.] **The underlying reasons for not meeting the established standard(s).**

[(2) An analysis of the service interruption patterns and trends.

(3) A description of the causes of the unacceptable performance.]

[(4)] **(2)** A description of the corrective measures the electric distribution company is taking and target dates for completion.

(h) An electric distribution company shall, within thirty (30) calendar days, report to the Commission any problems it is having with its data gathering system used to track and report reliability performance.

(i) The Commission shall prepare an annual reliability report and make it available to the public.

* * * * *

Regulatory A●alysis Form ●

(1) Agency Pennsylvania Public Utility Commission	This space for use by IRRC
(2) I.D. Number (Governor*s Office Use) L-00030161/57-228	IRRC Number:

(3) Short Title

Rulemaking Re Amending Electric Service Reliability Regulations at 52 Pa.Code Chapter 57

(4) PA Code Cite	(5) Agency Contacts & Telephone Numbers
52 Pa. Code Sections 57.192, 57.194 and 57.195	Primary Contact: Elizabeth H. Barnes, Law Bureau (717)772-5408 Secondary Contact: Thomas Sheets, Audits (717)783-5000

(6) Type of Rulemaking (check one)	(7) Is a 120-Day Emergency Certification Attached?
☒ Proposed Rulemaking ☐ Final Order Adopting Regulation ☐ Final Order, Proposed Rulemaking Omitted	☒ No ☐ Yes: By the Attorney General ☐ Yes: By the Governor

(8) Briefly explain the regulation in clear and nontechnical language.

The proposed rulemaking order amends current regulations found at 52 Pa.Code §§57.192, 57.194 and 57.195. Specifically, the rulemaking seeks to implement actions recommended in the Legislative Budget and Finance Committee report of June 12, 2002, the Commission's Bureau of Conservation Economics and Energy Planning's report of July 3, 2002, and the Commission's Staff Internal Working Group on Electric Reliability's Report of July 18, 2002. One recommendation being implemented is a tightening of the current performance reliability standards. Another is additional and more frequent reporting requirements. Instead of annual reports regarding an electric distribution company's performance reliability indices for its operating areas, and system-wide performance, the EDCs will be required to file an annual report including the EDC's plans for inspection and maintenance of its transmission lines and facilities, as well as the reliability indices and worst performing circuits and what is being done about them. Additionally, the EDCs will have to report on a quarterly basis their reliability indices and worst circuits.

(9) State the statutory authority for the regulation and any relevant state or federal court decisions.

The authority for the regulation is the Electricity Generation Customer Choice and Competition Act of December 3, 1996, P.L. 138 §4, effective January 1, 1997. The Act amends Title 66 of the Pennsylvania Consolidated Statutes by adding Chapter 28 to establish standards and procedures to create direct access by retail customers to the competitive market for the generation of electricity, while maintaining the safety and reliability of the electric system. Specifically, the Commission was given a legislative mandate to ensure that levels of reliability that were present prior to the restructuring of the electric industry would continue in the new competitive era.

In response to this legislative mandate, the Commission adopted a final rulemaking order on April 23, 1998 at Docket No. L-00970120, setting forth various reporting requirements designed to ensure the continuing safety, adequacy and reliability of the generation, transmission and distribution of electricity in the Commonwealth. 52 Pa.Code §§57.191-57.197. The final rulemaking order also suggested that the Commission could reevaluate its monitoring efforts at a later time as deemed appropriate. This proposed rulemaking is in response to such an evaluation.

(10) Is the regulation mandated by any federal or state law or court order, or federal regulation? If yes, cite the specific law, case or regulation, and any deadlines for action.

Yes. 66 Pa.C.S. §2802(12) provides that the purpose of the restructuring of the electric utility industry is to modify existing legislation and regulations and to establish standards and procedures in order to create direct access by retail customers to the competitive market for the generatioin of electricity while maintaining the safety and reliability of the electric system for all parties. Thus, the Commission was given a leglislative mandate that electric reliability levels stay the same during the transition period from a non-competitive environment to a competitive one.

(11) Explain the compelling public interest that justifies the regulation. What is the problem it addresses?

In order to ensure a smooth transition from a monopoly market to a competitive market, there should be reliability standards based upon historical performance prior to the Act which must be met after the Act by the electric distribution companies. These reliability indices should be reported quarterly rather than annually so that the Commission keeps better track of the performance of the EDCs.

The Legislative Budget & Finance Committee Report of June 12, 2002, noted the Commission had an annual reporting requirement regarding reliability indices, CAIDI, SAIFI, SAIDI and MAIFI. The LB&FC stated that it was 17 months before the data was received by the Commission, and suggested the Commission should track the companies closer. The Commission has proposed to amend its regulations in §57.194 to require quarterly reporting. The Commission also proposes to tighten its existing 2-standard deviation standard allowed for consistent annual performance, which permitted performance worse than the worst year's performance from 1994-1998 (prior to the Act).

(12) State the public health, safety, environmental or general welfare risks associated with nonregulation.

Without these regulations, the service quality of electric distribution could deteriorate.

(13) Describe who will benefit from the regulation. (Quantify the benefits as completely as possible and approximate the number of people who will benefit.)

All consumers will benefit, both customers of the 6 large EDCs and the 4 small. Residential and business, rural and urban customers alike would benefit from these regulations.

(14) Describe who will be adversely affected by the regulation. (Quantify the adverse effects as completely as possible and approximate the number of people who will be adversely affected.)

No person or entity will be adversely affected by the proposed regulations. Arguably, with advances in technology and low inflation, it should be cheaper to provide the same service going forward as in 1994-1998.

(15) List the persons, groups or entities that will be required to comply with the regulation. (Approximate the number of people who will be required to comply.)

All of the Electric Distribution Companies will be required to comply with the regulations. The list of EDCs includes Allegheny Power, Duquesne Light, Met-Ed, Penelec, Penn Power, PECO, PPL, Citizens, Wellsboro, UGI and Pike County.

(16) Describe the communications with and input from the public in the development and drafting of the regulation. List the persons and/or groups who were involved, if applicable.

The Legislative Budget & Finance Committee had input from its report. The Commission Staff spoke with representatives from the large EDCs and small EDCs before recommending changes to the regulations to the Commission.

(17) Provide a specific estimate of the costs and/or savings to the regulated community associated with compliance, including any legal, accounting or consulting procedures which may be required.

Unknown.

(18) Provide a specific estimate of the costs and/or savings to local governments associated with compliance, including any legal, accounting or consulting procedures which may be required.

Not applicable

(19) Provide a specific estimate of the costs and/or savings to state government associated with the implementation of the regulation, including any legal, accounting, or consulting procedures which may be required.

Any costs would be de minimus.

(20) In the table below, provide an estimate of the fiscal savings and costs associated with implementation and compliance for the regulated community, local government, and state government for the current year and five subsequent years.

	Current FY Year	FY +1 Year	FY +2 Year	FY +3 Year	FY +4 Year	FY +5 Year
SAVINGS:	$	$	$	$	$	$
Regulated Community						
Local Government						
State Government						
Total Savings						
COSTS:						
Regulated Community						
Local Government						
State Government						
Total Costs						
REVENUE LOSSES:						
Regulated Community						
Local Government						
State Government						
Total Revenue Losses						

(20a) Explain how the cost estimates listed above were derived.

Not applicable.

(20b) Provide the past three year expenditure history for programs affected by the regulation.

Program	FY -3	FY -2	FY -1	Current FY

(21) Using the cost-benefit information provided above, explain how the benefits of the regulation outweigh the adverse effects and costs.

Not applicable.

(22) Describe the nonregulatory alternatives considered and the costs associated with those alternatives. Provide the reasons for their dismissal.

None.

(23) Describe alternative regulatory schemes considered and the costs associated with those schemes. Provide the reasons for their dismissal.

None.

(24) Are there any provisions that are more stringent than federal standards? If yes, identify the specific provisions and the compelling Pennsylvania interest that demands stronger regulation.

None.

(25) How does this regulation compare with those of other states? Will the regulation put Pennsylvania at a competitive disadvantage with other states?

Massachusettes has Service Quality Standards. New Jersey and New York also have reliability standards and regulations. It is unknown if the regulation will put Pennsylvania at a competitive disadvantage with other states.

(26) Will the regulation affect existing or proposed regulations of the promulgating agency or other state agencies? If yes, explain and provide specific citations.

No.

(27) Will any public hearings or informational meetings be scheduled? Please provide the dates, times, and locations, if available.

Not at this time.

(28) Will the regulation change existing reporting, record keeping, or other paperwork requirements? Describe the changes and attach copies of forms or reports which will be required as a result of implementation, if available.

Yes. Attached to the proposed rulemaking order as Attachment A is a Form the PUC would like the EDCs to fill out and send in annually.

(29) Please list any special provisions which have been developed to meet the particular needs of affected groups or persons including, but not limited to, minorities, elderly, small businesses, and farmers.

None.

(30) What is the anticipated effective date of the regulation; the date by which compliance with the regulation will be required; and the date by which any required permits, licenses or other approvals must be obtained?

We are asking for voluntary compliance with quarterly reporting of reliability indices by circuits instead of operating areas beginning November 1, 2003. We believe the target effective date for the regulations should be June, 2004.

(31) Provide the schedule for continual review of the regulation.

An annual report will be issued by the Commission critiquing the regulation, standards and performance in the EDC industry.

Orange & Rockland
a conEdison, inc. company

Orange & Rockland Utilities, Inc.
390 West Route 59
Spring Valley NY 10977-5300
www.oru.com

Pennsylvania Public Utility Commission
Attention: Secretary James J. McNulty
P.O. Box 3265
Harrisburg, PA 17105-3265

October 8, 2003

Re: Rulemaking Re Amending Electric Service Reliability Regulations
At 52 Pa. Code Chapter 57
Docket No. M-00991220 and L-00030161

Dear Secretary McNulty:

By this letter, Pike County Light & Power Company ("Pike) submits its 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 ("Proposal") set forth by the Commission in its order entered on June 27, 2003 in the above-referenced proceeding. Pike also joins in the comments submitted by the Energy Association of Pennsylvania ("EAPA") on behalf of Pike and the other investor-owned electric distribution companies in the Commonwealth, to the extent that they are consistent with Pike's comments.

Pike is the smallest investor-owned electric distribution company ("EDC") in Pennsylvania with only 2 distribution circuits and approximately 4,400 customers. As noted below, Pike's diminutive size serves as the driving force behind its comments. While as currently drafted the Proposal makes some allowance for smaller EDCs, from Pike's singular perspective, the Proposal remains extremely ill suited and inordinately burdensome.

Benchmarks and Standards

The Proposal seeks to tighten the Commission's standards for performance reliability (i.e., SAIFI, CAIDI, and SAIDI[1]) in the electric distribution industry by replacing its current two-standard deviation minimum performance standard approach with a two-tiered reliability performance standard. One tier would incorporate a rolling

[1] SAIFI is the System Average Interruption Frequency Index that measures the average frequency of sustained interruptions per customer during the analysis period. CAIDI is Customer Average Interruption Duration Index that measures the average duration of sustained interruptions for those customers who experience interruptions during the analysis period. SAIDI is the System Average Interruption Duration Index that measures the average duration of sustained customer interruptions per customer occurring during the analysis period.

36-month performance, while the other tier would incorporate a rolling 12-month performance. Pike requests that the Commission reconsider the 12-month and 36-month performance standards for SAIFI, CAIDI, and SAIDI that would be applicable to Pike. The performance standards applicable to Pike are, aside from those applicable to Citizens Electric Company, the most stringent among all EDCs. It makes little sense to impose the most severe performance expectations on companies such as Pike, whose modest size makes them an unwilling hostage to the inherent variability of reliability statistics. In light of these circumstances and as an alternative to the Proposal, Pike recommends, with respect to the small EDCs only, a return to setting performance standards using a standard deviation approach, as set forth below.

The benchmarks and standards set forth in the Proposal reflect each EDC's historic performance during the period 1994 - 1998. Pike proposes that these benchmarks and standards be revised for Pike utilizing 1999 – 2002 data. Aside from the benefit of utilizing data that better reflects Pike's current circumstances, utilization of data from this more recent period will allow for the incorporation of the results from Pike's Outage Management System ("OMS"), which was introduced in 1999. As the Commission observed in the Tentative Order (pages 14-16), the reliability monitoring information provided by automated reliability management systems, like Pike's OMS, is markedly superior to that provided by earlier monitoring processes. Accordingly, Pike urges the Commission to utilize Pike's 1999-2002 data in setting the revised standards.

Although the Proposal rejects the two standard deviation measure, Pike proposes that the Commission retain the utilization of setting the standards utilizing a standard deviation approach for the smaller EDCs, albeit at tighter levels. Using the revised standards set forth in the Proposal, Pike would miss the rolling three-year standard level 80% of the time, and the rolling 12-month standard level 32% of the time. The problem that exists for the smaller EDCs, and particularly for Pike since its electric delivery system is so small in Pennsylvania (i.e., Pike has two circuits and approximately 4,400 customers), is that there is a significant amount of volatility in the statistics. Much of this volatility is usually caused by small events that skew the statistics and distort the Company's successful efforts in providing acceptable reliability. Another example of this volatility is the effects of weather. In 2002 because it was a stormy year for Pike, the Company had a significantly higher number of storms, but their severity were not that great. As a result, more of the customers affected were not excludable, which tripled Pike's reportable SAIFI from 0.35 in 2001 to 1.05 in 2002.

Additionally, because Pike's average SAIFI and SAIDI for the 1994 to 1998 time period are rather low to begin with (0.39 and 66 respectively), setting standards of 10% and 35% above average, for the rolling three-year and 12-month standards, respectively, does not provide an adequate upper band to properly reflect the level of volatility described above. This level of volatility, that is much more prevalent for the smaller EDCs, justifies the retention of a standard deviation method that will provide some mathematical basis for explaining this performance variation to set standard levels.

Accordingly, Pike proposes that for the 12-month rolling average, the Commission use 1.5 standard deviations as the standard, and for the 36-month rolling average, the Commission use 1.0 standard deviation as the standard, again, utilizing the most recent Pike data available from the 1999 – 2002 timeframe to set these revised standards. Implementation of this approach would provide the dual benefit of tightening the standards from current levels while providing for the greater latitude in performance results that the Commission acknowledges small EDCs require.

Reporting Requirements

As to the Proposal's reporting requirements, Pike recommends that, as to small EDCs only, the annual report only be required to comply with subsections (1) – (3) of Section 57.195(b). The remaining subsections of this provision seek a level of detail that is simply inappropriate for a utility of Pike's size. Similarly, subjecting EDCs the size of Pike to the quarterly reporting requirements set forth in Section 57.195(e) would increase significantly Pike's workload with minimal countervailing benefits. Pike proposes that its quarterly reporting obligation be limited to providing updated SAIFI, CAIDI, and SAIDI statistics pursuant to Section 57.195(e)(2).

Also, in keeping with Pike's comments set forth above, and in response to Secretary McNulty's letter dated September 8, 2003 regarding the clarification on the timing of the initial quarterly reporting requirements, Pike proposes that its quarterly reporting obligation for the November 1, 2003 report be limited to providing updated SAIFI, CAIDI, and SAIDI statistics pursuant to Section 57.195(e)(2).

Pike appreciates this opportunity to submit its comments on the Proposal. Pike remains committed to providing safe and reliable service to its customers. Please contact me if you have any questions regarding these comments or require any additional information.

Very truly yours,

Angelo M. Regan, P.E.
Chief Distribution Engineer
Pike County Light and Power
(Orange and Rockland Utilities, Inc.)

Energy Association of Pennsylvania

800 North Third Street, Suite 301 • Harrisburg, Pennsylvania 17102
Telephone (717) 901-0600 • Fax (717) 901-0611 • www.energypa.org

ORIGINAL DOCUMENT

November 25, 2003

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

RE: Rulemaking Re Amending Electric Service Reliability Regulations at 52 Pa. Code Chapter 57
Docket No. L-00030161

Dear Secretary McNulty:

Enclosed for filing are an original and three (3) copies of the **"Request of the Energy Association of Pennsylvania for Extension of Time to File Comments and for Opportunity to File Reply Comments"** in the above-captioned docket.

Please note that service of this filing has been made in accordance with the attached service list.

Sincerely,

J. Michael Love
President and CEO

David T. Evrard
Vice President & Secretary

cc: Elizabeth Barnes (via electronic mail)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Rulemaking re Amending Electric Service :
Reliability Regulations at 52 Pa. Code Chapter 57 : Docket No. L-00030161

REQUEST OF ENERGY ASSOCIATION OF PENNSYLVANIA FOR EXTENSION OF TIME TO FILE COMMENTS AND FOR OPPORTUNITY TO FILE REPLY COMMENTS

By this filing, the Energy Association of Pennsylvania ("Association") makes two requests of the Commission in regard to the above-captioned docket. First, pursuant to Section 1.15 of the Commission's regulations, 52 Pa. Code §1.15, the Energy Association of Pennsylvania ("Association") hereby requests a brief extension of the deadline for filing comments to the proposed rulemaking order in this matter. Second, the Association requests that parties have the opportunity to file replies to comments filed to the proposed rulemaking order. In support of its requests, the Association states as follows:

1. The Commission's proposed rulemaking order was entered June 27, 2003 and published in the *Pennsylvania Bulletin* on October 4, 2003, with a 60-day comment period that concludes on December 3, 2003.

2. The proposed rulemaking order is closely related to another order entered the same day, *i.e.*, the Commission's Tentative Order on Amended Reliability Benchmarks and Standards for Electric Distribution Companies, which was published in the

Pennsylvania Bulletin on July 12, 2003 with a 60-day comment period, concluding September 10, 2003.

3. Upon request of the Association, filed September 5, 2003, the Commission generously granted a 30-day extension (to October 10, 2003) of time to file comments to the Tentative Order.

4. The Commission then granted a subsequent request of the Association to permit reply comments to be filed to the Tentative Order. Reply comments were due on or before October 27, 2003.

5. The combination of the extension of time to file comments to the Tentative Order and the opportunity to file reply comments has effectively shortened the time parties have had to prepare their comments on the proposed rulemaking order.

6. To better enable completion of a fully responsive set of comments to the proposed rulemaking order, the Association hereby requests a brief 5-day extension (to December 8, 2003) of time to file those comments.

7. Just as reply comments served to broaden the record and enhance the information available for Commission decision-making with respect to the Tentative Order, the Association believes that the Commission would benefit similarly from the filing of reply comments to the proposed rulemaking order.

WHERFORE, the Association respectfully requests that the Commission: (1) extend the deadline for filing comments to the proposed rulemaking order to December 8, 2003; and (2) permit the filing of reply comments in the instant docket by December 22, 2003.

Respectfully submitted,

J. Michael Love
President and CEO

David T. Evrard
Vice President & Secretary

DATED: November 25, 2003

Before The
Pennsylvania Public Utility Commission

Rulemaking Re Amending Electric Service Reliability Regulations At 52 Pa. Code Chapter 57	: : :	Docket No. L-00030161

Certificate of Service

I hereby certify that I have this day served a copy of the **"Request of the Energy Association of Pennsylvania for Extension of Time to File Comments and for Opportunity to File Reply Comments"** in the above-captioned 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:

Tanya J. McCloskey
Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101

Charles F. Hoffman
PA Public Utility Commission
P.O. box 3265
Harrisburg, PA 17105

William R. Lloyd
Small Business Advocate
300 N. 2nd Street, Suite 1102
Harrisburg, PA 17101

Scott J. Rubin, Esquire
3 Lost Creek Drive
Selinsgrove, PA 17870

Date: November 25, 2003

David T. Evrard

David T. Evrard, Vice President & Secretary
Energy Association of Pennsylvania
800 N. Third Street, Suite 301
Harrisburg, PA 17102
(717) 901-0600

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To be published 12-13-03

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

December 3, 2003

Mary Jane Phelps, Director
Pennsylvania Code & Bulletin
Room 647, Main Capitol Building
Harrisburg, PA 17120

DOCKETED
DEC 22 2003

Re: Notice
Rulemaking Re Amended Electric Service
Reliability Regulations for Electric
Distribution Companies
Docket No. L-00030161

DOCUMENT

Dear Ms. Phelps:

Enclosed please find two (2) copies of a notice as captioned above. The Commission requests that this notice be published in the Pennsylvania Bulletin.

Very truly yours,

Veronica A. Smith

Veronica A. Smith
Executive Director

Enclosure

cc: Regulatory Coordinator DelBiondo
Docketing ✓

NOTICE

Re: Rulemaking Re Amended Electric Service Reliability Regulations for Electric Distribution Companies Docket No. L-00030161

Pursuant to the Energy Association of Pennsylvania's request for an extension in the deadline for initial comments to be filed in reference to a Proposed Rulemaking Order regarding Amended Electric Service Reliability Regulations for Electric Distribution Companies, at L-00030161, the deadline for initial comments is extended from December 3, 2003 to **December 8, 2003.** Reply comments are due on or before **December 22, 2003**. Original comments should be submitted to James J. McNulty, Secretary, Pennsylvania Public Utility Commission, Commonwealth Keystone Building, 400 North Street, Harrisburg, PA 17120. Please also file comments electronically to Elizabeth H. Barnes, Assistant Counsel at ebarnes@state.pa.us

BY THE COMMISSION:

James J. McNulty
Secretary

ORIGINAL

Energy Association of Pennsylvania
800 North Third Street, Suite 301 • Harrisburg, Pennsylvania 17102
Telephone (717) 901-0600 • Fax (717) 901-0611 • www.energypa.org

December 22, 2003

DOCUMENT FOLDER

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

RE: Rulemaking Re Amending Electric Service Reliability Regulations at 52 Pa. Code Chapter 57
Docket No. L-00030161

Dear Secretary McNulty:

Enclosed for filing are an original and fifteen (15) copies of the **"Response of the Energy Association of Pennsylvania to the Comments of the Office of Consumer Advocate and Pennsylvania AFL-CIO Utility Caucus"** in the above-captioned docket.

Please note that service of this filing has been made in accordance with the attached service list.

Sincerely,

J. Michael Love
President and CEO

David T. Evrard
Vice President & Secretary

95

Before The
Pennsylvania Public Utility Commission

Rulemaking Re Amending Electric Service Reliability Regulations At 52 Pa. Code Chapter 57	:	Docket No. L-00030161

Response of
The Energy Association of Pennsylvania to the Comments of
The Office of Consumer Advocate and
The Pennsylvania AFL-CIO Utility Caucus

The Energy Association of Pennsylvania ("Energy Association") on behalf of the eleven investor-owned electric distribution companies[1] ("EDCs") in the Commonwealth files this response to the Comments by the Office of Consumer Advocate (hereafter "OCA") and the Pennsylvania AFL-CIO Utility Caucus (hereafter "AFL-CIO"), both of which were filed in Response to the Commission's Proposed Rulemaking Order on Electric Reliability, published in the *Pennsylvania Bulletin* on October 4, 2003, (hereafter "Reliability Rulemaking").

Introduction

The Energy Association would indicate to the Commission that the proposal offered by the OCA in which they would establish performance no worse than the benchmark, would virtually ensure that all EDCs would be in violation nearly all the time. The OCA, in its Comments, consistently seeks to have the regulations revised to include language that would significantly restrict the Commission's discretion in the handling of reliability performance issues. The problem with this approach is that we are still early in the restructured electric service

[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.

market. Both the industry and the Commission are still addressing and developing basic rules related to restructuring in general, let alone reliability. The Commission needs flexibility because of the multitude of factors beyond the control of the EDCs and the Commission that can impact reliability, including the Commission's admission of data quality issues. Moreover, the OCA's request to codify even more into the rules fails to recognize the significant changes already achieved prior to this docket through cooperation and discussion.

Furthermore, the initial round of comments witnessed attempts by both the OCA and the AFL-CIO to saddle EDCs and their customers with the additional burdens and costs. Requests such as actual-to-budget information, providing annual reports on reliability to customers, or reporting on call-out rates or contractor terms, have little or no probative value to the Commission's ability to analyze reliability performance.

One of the goals of the Competition Act was to minimize unwarranted governmental intrusion into the provision of electricity. Yet the numerous proposals and comments offered by the OCA would, if adopted lead to an unprecedented governmental presence in the provision of electricity.

Many of the OCA's proposals do not complement that process nor achieve any improvement. For example, the suggestion that a reduction in O&M expense demonstrates reduced reliability is simply unfounded. The Pennsylvania competitive experiment was designed to allow the creative allocation of resources, while maintaining the same level of reliability and rates. To promote rate caps and then use O&M reductions to suggest inadequate focus on reliability is intellectually inconsistent.

The OCA"s proposal fails to sufficiently consider the big picture: A competitive marketplace.

In its proposals, the OCA fails to consider the impact of all of its additional requirements on the competitive marketplace and the incumbent utility's ability to operate in this marketplace under the already established rate caps. In the enabling language of the Electric Generation Customer Choice and Competition Act[2] (Competition Act), the Legislative and Executive branches expressed a preference for the marketplace over governmental intrusion. Rate caps were chosen to be the regulatory tool of transition and we, as a Commonwealth, have enjoyed five years of capped electric prices, and in some instances, even reduced electric rates.

As one of the premises of the Competition Act is stable prices, the EDCs are required to adopt expenditures of capital that reduce O&M expenses such as *reclosers*. The rapid development of technology such as SCADA systems, becomes accelerated so as to enable closer monitoring while at the same time reducing labor and O&M expenses.

The attempt in this docket to portray reductions in O&M expenditures from year to year, or worse, quarter to quarter, as an indication of reduced reliability is unfounded in the sense that one of the purposes of effective capital deployment is to achieve O&M expense reductions. Similarly, one of the benefits of effective technology deployment will be the reduction of O&M expenses.

Even less compelling is the rationale for budget-to-actual expenditure ratios or comparisons which do not have <u>any</u> reliability ramifications. To suggest that a quarterly budget-to-actual variation needs to be explained with reports, plans and corrective measures is not conducive to either a smooth running business operation, the public good, or supportive of the Competition Act's statutory requirement for regulatory forbearance.

---

[2] Act 138 of 1996 which amended Title 66 of the Pennsylvania Consolidated Statutes ("Public Utility Code" or "Code") by adding Chapter 28.

The OCA's comments, both general and specific, are seeking to have the Commission, the OCA (and presumably other industrial parties in its proposed improvement plan review process) involved in the day-to-day operational decision-making. The position of the Energy Association is that there is no statutory authority for this type of intrusion. Nor can the results of competition – reductions in O&M expenses, the acceleration of technology, and the adoption of creative new operating practices – be the subject of OCA's complaints in this docket, as it is precisely those results that were sought by the Competition Act.

The Reliability Changes Already Brought About by the Commission and Its Staff Are Being Overlooked

This Commission has historically undertaken its responsibilities regarding reliability in a professional, yet cooperative, fashion. As this Commission noted previously:

> ***"It is the Commission's intention to set reliability performance standards in cooperation with the industry."***[3]

The Commission observed in its Tentative Order[4] that its staff had conducted field visits to the EDCs and that staff proposals for change, such as the concept of measuring and reporting reliability performance on a service territory basis, was proposed and accepted by the EDCs.

The Commission and its staff through this cooperative approach have already achieved dramatic changes in the pursuit of greater reliability. The following points reflect results achieved to date:

1. Operating area, for purposes of measuring reliability, is an EDC's entire system.
2. New improved Outage Management Software has been deployed.
3. All EDCs are now using the same definition for major event.
4. All EDCs are now excluding major events from their statistics.
5. It has been agreed to move away from a two-standard deviation for purposes of the standard around the benchmark.

---

[3] Final Rulemaking To Amend 52 Pa. Code Chapter 57 to Ensure Electric Service Reliability, Docket No. L-00970120, April 24, (1998), page 13.
[4] Tentative Order, Docket No. M-00991220, June 27, 2003, pages 4 and 6.

OCA's Comments Concerning Definitions in Section 57.192 Are Unsupportable

The OCA asks the Commission to add the numeric benchmarks to the language in the regulation,[5] asserting that the inclusion of more expansive performance requirements will ensure that reliability is maintained at a better than historic value.[6]

As the Staff Internal Working Group (Staff) observed many of the EDCs have installed new outage management software, which will enhance the EDC's ability to capture an ever-increasing portion of service interruptions. This change in the measurement of reliability is simply not embodied or captured in the current benchmarks. The significant changes in measurement mean that a comparison of historical data to current data would not be an "apples to apples" comparison. Setting the benchmarks as the minimum standard of performance would very likely expand the performance requirement well beyond the historic levels and would be unfair to the EDC's who have on their own initiative, improved their systems of measurement in order to improve their reliability performance.

Coupled with their request is the OCA's continued insistence that the rolling three-year average minimum performance standard be established equal to the historic benchmark level.[7] First and foremost, such a position fails to recognize that actual operations are affected by a number of factors that are outside the control of an EDC. As the Commission noted earlier:

> ***Since benchmarks are based on historical performance, each EDC may vary <u>both</u> below or above the performance standard established. The Commission may take such history into account as it establishes the benchmarks and performance standards.*** [8]

The OCA proposal is not operationally supportable nor is it statistically supportable. The Association would strongly urge that the Commission reject this approach. An examination of Column G of Appendix B to the Tentative Order illustrates that EDCs applying the rolling three-

[5] OCA Comments, page 6.
[6] Ibid.
[7] OCA Comments, pages 8-9.
[8] Final Rulemaking Docket No. L-00970120, April 24, 1998, page 13.

year standard or allowed variation at 110% are likely to exceed the standard about once every five years on average. Setting the standard at the benchmark would accelerate the exceeding of standards to about once every other year on average (i.e., the benchmark, as an average, suggests there is a 50/50 chance a year will be below the average). The OCA's contention that the standard be the benchmark, and that the EDCs meet the benchmark every reporting period is statistically inappropriate. A statistical reality is that single-year rolling averages will always be significantly more variable than either a 5-year or 3-year rolling average. These additional attempts to eliminate any variation or flexibility illustrates lack of understanding and appreciation of the many factors that impact operations, is a statistically invalid approach, and is contrary to this Commission's previous findings.

Storms Are Outside the Control of EDCs and Demonstrably Impact Reliability

The OCA's effort to amend Rule 57.194 to expand the rule far beyond its original intent illustrates a fundamental misunderstanding of the impact of severe weather on a system.

Most weather is not captured in the "major event" category. Rather, weather on a regular basis causes outages that cannot be codified into rules and certainly are not suitable candidates for OCA's attempts to expand improvement plans.

Some of the EDCs have illustrated that recent storms would have led to the proposed standards being exceeded, let alone the new standards being proposed by the OCA.[9] Yet there is a significant amount of weather-related outages that, if understood, would illustrate the need for caution rather than penalties, paper, and pronouncements.

Citizens' Electric is, as the Commission is aware, a relatively small utility and yet weather events that impacted that entity and its customers are typical of what each EDC experiences.

[9] For example, PECO's Comments on Tentative Order, page 5.

As the Commission reviews, the following discussion of these, for the most part non-major events, the Energy Association would offer that these alone demonstrate why the OCA's proposed reporting and calls for improvement plans should be rejected. This data also demonstrates why the call for a reliability report is unfounded as these events, unlike water quality, are totally beyond the control or responsibility of an EDC.

7/11/03 – During a strong thunderstorm, an **off** right-of-way tree came down on Citizens' line, interrupting 50 customers for 81 minutes.

7/21/03 – A storm later classified by the National Weather Service as a "microburst," with winds in excess of 80 mph struck Citizens' territory. The damage associated with this storm was the most severe any of the senior linemen could remember. A total of 6300 (95.4%) of Citizens' customers were affected. Full restoration took four days, with assisting crews from neighboring utilities. This storm generated 3,780,000 customer interruption minutes, nearly 10 times the company's typical annual amount, and was clearly a major event. What is important, however, is that the effects of this storm lasted into the following week with individual customers requesting outages to make repairs on their equipment. One notable follow-on outage occurred when a birch tree, damaged on the 21st, caused a span to burn down, interrupting 50 customers for 40 minutes.

8/1/03 – During another strong thunderstorm, a tap feeding 50 customers was interrupted for 30 minutes, presumed cause was lightening.

8/2/03 – Another strong storm caused 600 minutes of customer interruptions.

8/16/03 – A severe storm toppled a large pine tree into Citizens' lines, interrupting 275 customers for 40 minutes.

9/19/03 – The remnants of Hurricane Isabel passed through Citizens' region. While its strength was greatly reduced by the time it reached the territory, it still generated four outages, interrupting 300 customers for about 140 minutes.

11/14/03 – A day of extremely high wind generated a number of outages. Most remarkable was when a 10' X 40' party tent came loose from its anchors and struck Citizens' line with enough force to break the pole. By the end of the day, about 2200 customers had been interrupted, generating 215,000 customer interruption minutes.

11/19/03 – An outage, presumed to have been caused by a tree, weakened from 11/14, interrupted 300 customers for 40 minutes.

11/29/03 – Another day of unusually strong winds across Citizens' territory. An uprooted tree caused 350 customers to lose power for 67 minutes.

These examples demonstrate that there are a number of factors such as tents, out of right-of-way trees, weather and other foreign material that dramatically impact an EDC's reliability performance. The aforementioned alone increased Citizens SAIFI score 205% over the performance standards and impacted their rolling 12 month and 3 year averages negatively for some time. In each quarter they would potentially be subject to sanctions or requests for more data yet it was weather beyond the control of this EDC that caused the performance aberrations. With larger companies, the Commission will witness this type of data swing on the performance of circuits when they are naturally impacted by severe weather and not a major event.

The OCA's proposals to amend 57.194 need to be rejected. Neither the EDCs nor this Commission can control microbursts, out of right-of-way trees and branches, uprooting of trees, or post-major-event weather impacts. The concept of bogging down the Commission with descriptions of weather events is without merit, and designing improvement plans to address weather-caused outages is of little or no value.

OCA's Proposed Call for an Improvement Plan Amounts to Unilateral Performance-Based Ratemaking in Disguise

OCA has requested that penalties be imposed on EDCs who fail to meet the performance standards in order to send a message to the utility that it must achieve appropriate reliability.[10] The OCA further suggests that such penalties be refunded to the customers. The OCA has not, however, proposed any incentive or bonus to be provided to an EDC for performance beyond the requirements and as such, the OCA's proposal amounts to unilateral performance-based ratemaking. While such a proposal is *prima facie* unfair in its concept, the true inequity lies in the fact that there are too many circumstances out of an EDC's control that would impact its

[10] OCA Comments, page 12.

reliability performance. Under the OCA's approach, for example, an EDC would be subject to a penalty for someone else's failure to secure a tent, because of the occurrence of a microburst, the existence of trees outside a utility's right-of-way that fall on a line, or trees that are uprooted within a right-of-way. Fluctuations and interruptions are inevitable in the supply of electricity. Weather exacerbates this situation and no court or Commission should impose penalties for weather related outages.

Section 57.195 Reporting Requirements Contradict Commission Direction With Regard to Reliability Reporting

The OCA would amend 57.195 (c)(3) to have reports on operating areas. As the Energy Association noted in its original comments, the BCS is asking that EDCs provide reliability reports and action plans for individual informal complaints. The EDCs have already been asked by the Commission and its staff to agree to the reporting of reliability on a system-wide basis. The request has now been broadened to include reporting on the 5% worst performing circuits. To further expand this request to include operating area data and/or individual data is unreasonable and does not comport with the Commission's initial indications of its intent with regard to reliability reports and their purpose.

It appears that the EDCs are now being asked to agree to being held to varying standards, and worse, associated penalties. The BCS Letter created confusion as to the Commission's true intent for reliability reporting. The OCA's requests for reports on operating areas should be rejected as it further muddies the issue by suggesting even more reporting than is reasonably necessary and harsh penalties for non-compliance.

Section 57.195(e)(11) Call Out Rate Request Should Be Eliminated, Not Revised, As Suggested by the AFL-CIO.

As discussed in great detail by the Energy Association in its *Comments to the Proposed Rulemaking,* the quarterly reporting of certain items would provide little or no value to the Commission in its evaluation of reliability performance. The reporting of call-out rates is an excellent example of the type of information that would be irrelevant to reliability evaluations. For example, the Department of Transportation's (DOT) Federal Motor Carrier Standards Administration issued its final *Hours of Service* (HOS) rule in April 2003. Despite pleas by NARUC, this Commission, the IBEW, the EEI, and Energy Association, the federal government, as of this writing, continues to dramatically change the ability of EDCs to respond to reliability challenges.

The HOS rule effectively makes it impossible for daytime utility workers to be called out in the evenings to respond to emergencies. The HOS rule makes it difficult, if not impossible, for EDCs to respond to outages using their traditional practices. Therefore, this dramatic change in governmental policy renders comparisons between historical and future call-out rates meaningless and thus would provide little insight to the Commission as to the EDCs rate of improvement in its performance.

Furthermore, despite the AFL-CIO's claims to the contrary, changes in call-out rates are not a measure of an EDC's commitment to addressing reliability any more than they are a demonstration of a troublesome management relationship with an EDC's unions. Call-out rates may be a reflection of a whole host of factors that have nothing to do with an EDC's commitment to reliability, including severe weather.

Finally, as very amply illustrated by the AFL-CIO's comments, not only do call-out rates not provide any significant insight into reliability performance, the reporting of such information, particularly if it is made available to the public, can actually lead to invalid conclusions as to the

EDC's utilization of its resources. The AFL-CIO alleges, among other things, that low call-out acceptance rates demonstrate "serious problems with the EDC's work-force management practices" and are an indication that the EDC has "inefficient work force management practices."[11]

As raised by the Energy Association in its initial comment, such unfounded allegations demonstrate clearly the potential problem created not only by the reporting of this information, but also by the publication of such information: (1) the potential misinterpretation and abuse of this information; and (2) the use of this information in the promotion of personal agendas unrelated to reliability.

As such, the Energy Association reiterates its suggestion that this information is not necessary to the Commission's evaluation of reliability performance and should be eliminated. If, however, the Commission decides to require this information, it should not be made available to the public.

Certain Definitions Need to be Added

The AFL-CIO raises the issue of definitions and specifically requests that a definition of ***circuit*** be set forth. We agree. The Energy Association would ask the Commission to acknowledge that the current rules adopt the IEEE standards of definition, that definition of ***circuit*** as suggested by the AFL-CIO is part of the current rules, and that the definition from this Code should be as suggested by the AFL-CIO.

[11] AFL-CIO Comments at p. 6.

Conclusion

The Energy Association supports the process that the Commission has undertaken to date. However, the reporting requirements, improvement plans, quarterly submissions and comparison of budget-to-actual do not enhance the Commission's ability to monitor reliability performance. The Energy Association would ask the Commission to recognize the significant steps it has undertaken and reject the extensive requests by OCA and AFL-CIO for unwarranted regulatory intrusion. Operating an EDC system has become increasingly difficult, and the expertise of the EDCs should be accorded appropriate weight. The Energy Association respectfully requests that its proposed revisions, as set forth in Appendix A, be adopted, and the regulations be amended accordingly.

Respectfully submitted,

J. Michael Love
President & CEO

David T. Evrard
Vice President & Secretary

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ANNEX A

TITLE 52. PUBLIC UTILITIES
Part I. PUBLIC UTILITY COMMISSION
Subpart C. FIXED SERVICE UTILITIES
CHAPTER 57. ELECTRIC SERVICE

ENERGY ASSOCIATION PROPOSED CHANGES
Subchapter N. ELECTRIC RELIABILITY STANDARDS *

* * * * *

§ 57.192. Definitions.

The following words and terms, when used in this subchapter, have the following meanings, unless the context clearly indicates otherwise:

* * * * *

Major event –

(i) Either of the following:

(A) An interruption of electric service resulting from conditions beyond the control of the electric distribution company which affects at least 10% of the customers in [an operating area] **the electric distribution company's service territory** during the course of the event for a duration of 5 minutes each or greater. The event begins when notification of the first interruption is received and ends when service to all customers affected by the event is restored. [When one operating area experiences a major event, the major event shall be deemed to extend to all other affected operating areas of that electric distribution company.]

(B) An unscheduled interruption of electric service resulting from an action taken by an electric distribution company to maintain the adequacy and security of the electrical system, including emergency load control, emergency switching and energy conservation procedures, as described in § 57.52 (relating to emergency load control and energy conservation by electric utilities), which affects at least one customer.

(ii) A major event does not include scheduled outages in the normal course of business or an electric distribution company's actions to interrupt customers served under interruptible rate tariffs.

*UGI contends that there should be no filing of financial data as being unrelated to the Docket's focus of reliability.

actions to interrupt customers served under interruptible rate tariffs.

* * * * *

[*Operating area* – A geographical area, as defined by an electric distribution company, of its franchise service territory for its transmission and distribution operations.]

Performance Benchmark – the average historical performance
Performance Standard – Minimum performance allowed

* * * * *

§ 57.194. Distribution system reliability.

* * * * *

(e) An electric distribution company shall design and maintain procedures to achieve the reliability ~~**performance benchmarks and**~~ performance standards established under subsection (h).

* * * * *

(h) An electric distribution company shall take measures necessary to meet the reliability ~~**performance benchmarks and**~~ performance standards adopted under this subsection.

(1) In cooperation with an electric distribution company and other affected parties, the Commission will, from time to time, establish numerical values for each reliability index or other measures of reliability performance that identify the benchmark performance of an electric distribution company, and performance standards.

(2) The benchmark will be based on an electric distribution company's historic **system-wide** performance [for each operating area] for that measure. In establishing the benchmark, the Commission may consider historic superior or inferior performance [or system-wide performance]. **The benchmark represents the Commission's expectation of future, long-term reliability performance. Performance, averaged over a multi-year period, is expected to at least equal the benchmark.**

(3) The performance standard shall be the ~~**short term,**~~ minimal level of performance for each measure for all electric distribution

companies[, regardless of the benchmark established]. **Performance that does not meet the standard for any reliability measure shall be the threshold for triggering additional scrutiny by Commission staff. When performance does not meet the standard, Commission staff will contact the electric distribution company regarding possible remedial review and reporting activities.**

(4) **While reliability performance at the standard allows for shorter-term reliability to be worse than historical benchmark performance, the Commission emphasizes that reliability performance averaged over a multiyear period is expected to ~~in the longer term shall~~ be at least equal to the performance benchmark.** An electric distribution company shall **therefore** inspect, maintain and operate its distribution system, analyze [performance] **reliability results,** and take corrective measures **as** necessary to achieve [the performance standard] **benchmark performance**. [An electric distribution company with a benchmark establishing performance superior to the performance standard shall maintain benchmark performance, except as otherwise directed by the Commission.]

§ 57.195. Reporting requirements.

(a) An electric distribution company shall submit **an annual reliability report** to the Commission, on or before [May] **March** 31 [,1999, and May 31] of each [succeeding] year [a reliability report which includes, at a minimum, the information prescribed in this section].

(1) An original and [5] **6** copies of the report shall be filed with the Commission's Secretary and one copy shall also be submitted to the Office of Consumer Advocate and the Office of Small Business Advocate.

(2) The name,[and telephone number] **title, telephone number, and e-mail address** of the persons [having] **who have** knowledge of the matters, and [to whom inquiries should be addressed,] **can respond to inquiries,** shall be included.

(b) The **annual reliability** report **for larger electric distribution companies (those with 100,000 or more customers)** shall include[an assessment of electric service reliability in the electric distribution company's service territory, by operating area and system wide]**, at a minimum, the following elements:**

(1) [The] **An overall current** assessment **of the state of the system reliability in the electric distribution company's service territory** [shall include] **including** a discussion of the electric distribution company's **current** programs and procedures for providing reliable electric service.

(2) [The assessment shall include a] **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.

[(c) The report shall include a] **(3) A** table showing the actual values of each of the reliability indices [, and other performance measures required by this subchapter or Commission order, for each operating area and] **(SAIFI, CAIDI, SAIDI, and if available, MAIFI)** for the electric distribution **company's service territory** [company as a whole] for each of the preceding [5] **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 minutes 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.**

(4) A breakdown and analysis of outage causes during the year being reported on, including the number and percentage of service outages and customer interruption minutes categorized by outage cause such as equipment failure, animal contact, tree related, and so forth. Proposed solutions to identified service problems shall be reported.

(5) A description of the EDC's worst circuit program to include a listing of the 5% worst circuits and a description of the EDC's performance relative to its worst circuit program. A ~~**listing of remedial efforts taken and planned for circuits that have been on the worst performing 5% of circuits list for a year or more.**~~

(6) A comparison of established transmission and distribution inspection and maintenance goals/objectives versus actual results achieved during the year being reported on. Explanations of any significant variances shall be included.

~~(7) A comparison of budgeted versus actual transmission and distribution operation and maintenance expenses for the year being reported on. Explanations of any significant variances shall be included.~~

~~(8) A comparison of budgeted versus actual transmission and distribution capital expenditures for the year being reported on. Explanations of any significant variances shall be included.~~

(97) Quantified transmission and distribution inspection and maintenance goals/objectives for the current year detailed by system area (i.e., transmission, substation, and distribution).

(8~~10~~) Actual Budgeted transmission and distribution operation and maintenance expenses for the current year in total. ~~and detailed by FERC account.~~

(9~~11~~) Actual Budgeted transmission and distribution capital expenditures for the current year in total. ~~and detailed by FERC account.~~

(10~~12~~) Significant changes, if any, to the transmission and distribution inspection and maintenance programs previously submitted to the Commission.

(c) The annual reliability report for smaller electric distribution companies (those with less than 100,000 customers) shall include all items in (b) above except for requirement (5).

(d) An electric distribution company shall submit a quarterly reliability report to the Commission, on or before May 1, August 1, November 1, and February 1.

(1) An original and 6 copies of the report shall be filed with the Commission's Secretary and one copy shall also be submitted to the Office of Consumer Advocate and the Office of Small Business Advocate.

(2) The name, title, telephone number and e-mail address of the persons who have knowledge of the matters, and can respond to inquiries, shall be included.

(e) The quarterly reliability report for larger companies (those with 100,000 or more customers) shall, at a minimum, include the following elements:

(1) A description of each major event that occurred during the preceding quarter, 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.

(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.

~~(3) Rolling 12-month reliability index values (SAIFI, CAIDI, SAIDI, and if available, MAIFI) and other pertinent information such as customers served, number of interruptions, customer minutes interrupted, number of lockouts, and so forth, for the worst performing 5% of the circuits in the system. An explanation of how the electric distribution company defines its worst performing circuits shall be included.~~

~~(4) Specific remedial efforts taken and planned for the worst performing 5% of the circuits as identified in (3) above.~~

~~(5) A breakdown and analysis of outage causes during the preceding quarter, including the number and percentage of service outages and customer interruption minutes categorized by outage cause such as equipment failure, animal contact, tree related, and so forth. Proposed solutions to identified service problems shall be reported.~~

~~(6) Quarterly and year-to-date information on progress toward meeting transmission and distribution inspection and maintenance goals/ objectives.~~

~~(7) Quarterly and year-to-date information on budgeted versus actual transmission and distribution operation and maintenance expenditures. (For first, second, and third quarter reports only.)~~

~~(8) Quarterly and year-to-date information on budgeted versus actual transmission and distribution capital expenditures. (For first, second, and third quarter reports only.)~~

~~(9) Dedicated staffing levels for transmission and distribution operation and maintenance at the end of the quarter, in total and by specific category (e.g., linemen, technician, and electrician).~~

~~(10) Quarterly and year-to-date information on contractor hours and dollars for transmission and distribution operation and maintenance.~~

~~(11) Monthly call-out acceptance rate for transmission and distribution maintenance workers.~~

(f) The quarterly reliability report for smaller companies (those with less than 100,000 customers) shall, at a minimum, include items (1) and, (2) ~~and (5)~~ identified in (e) above.

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

(1) [An analysis of the service interruption patterns and trends.] **The underlying reasons for not meeting the established performance standard(s).**

[(2) An analysis of the service interruption patterns and trends.

(3) A description of the causes of the unacceptable performance.]

[(4)] **(2)** A description of the corrective measures the electric distribution company is taking and target dates for completion.

(3) A description of the EDC's worst circuit program to include a listing of the 5% worst circuits and a description of the EDC's performance relative to its worst circuit program.

(4) A breakdown and analysis of outage causes during the period the reliability standard was not met, including the number and percentage of service outages and customer interruption minutes categorized by outage cause such as equipment failure, animal contact, tree related, and so forth. Proposed solutions to identified service problems shall be reported.

(5) Information on progress toward meeting transmission and distribution inspection and maintenance goals/ objectives for the period the reliability standard was not met.

(6) Information on budgeted versus actual transmission and distribution operation and maintenance expenditures for the period the reliability standard was not met.

(7) Information on budgeted versus actual transmission and distribution capital expenditures for the period the reliability standard was not met.

(h) An electric distribution company shall, in a timely manner, report to the Commission any problems it is having with its data gathering system used to report reliability performance.

(i) The Commission shall prepare an annual reliability report and make it available to the public.

(j) Information required under sections 57.195(b) 4-12 and 57.196(g) 3-11 is considered proprietary and confidential and will not be made part of any report available to the public except to the extent that such information is reported in the aggregate as part of the Commission's annual reliability report.

* * * * *

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Rulemaking Re Amending Electric :
Service Reliability Regulations :
At 52 Pa. Code Chapter 57 :
Docket No. L-00030161 :

Docket No. L-00030161

Certificate of Service

I hereby certify that I have this day served a copy of the Response of the Energy Association of Pennsylvania to the Comments of the Office of Consumer Advocate and Pennsylvania AFL-CIO Utility Caucus 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:

Hon. Terrance J. Fitzpatrick
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

Hon. Robert K. Bloom
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

Delia W. Stroud, Esq.
PECO Energy Company
2301 Market Street, S26-2
Philadelphia, PA 19101

Hon. Glen R. Thomas
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

Hon. Kim Pizzingrilli
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

Paul E. Russell, Esq.
PPL Electric Utilities Corp.
Two North Ninth Street
Allentown, PA 18101-1179

Hon. Wendell F. Holland
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

Charles F. Hoffman
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105

Mark C. Morrow, Esq.
UGI Utilities, Inc. – Electric Div
460 North Gulph Road
King of Prussia, PA 19406

Tanya J. McCloskey
Office of Consumer Advocate
555 Walnut Street, 5th Floor
Harrisburg, PA 17101

Hon. William R. Lloyd
Small Business Advocate
300 N. 2nd Street, Suite 1102
Harrisburg, PA 17101

Angelo M. Regan, P.E.
Pike County Light & Power
390 West Route 59
Spring Valley, NY 10977-5300

Scott J. Rubin, Esquire
3 Lost Creek Drive
Selinsgrove, PA 17870

Eric Winslow, President
Citizens' Electric Company
P.O. Box 551
Lewisburg, PA 17837

Robert S. McCarthy
Wellsboro Electric Company
33 Austin Street
Wellsboro, PA 16901

Alan Michael Seltzer, Esquire
Ryan Russell Ogden & Seltzer
1105 Berkshire Blvd Suite 330
Wyomissing, PA 19610-1222

John L. Munsch, Esq.
Allegheny Energy
800 Cabin Hill Drive
Greensburg, PA 15601-1689

John A. Kelchner
Citizens' Electric Company
1775 Industrial Blvd.
Lewisburg, PA 17837

Date: December 22, 2003

David T. Evrard

David T. Evrard, Vice President & Secretary
Energy Association of Pennsylvania
800 N. Third Street, Suite 301
Harrisburg, PA 17102
(717-901-0600)

ORIGINAL

LAW OFFICES
RYAN, RUSSELL, OGDEN & SELTZER LLP

SUITE 330
1105 BERKSHIRE BOULEVARD
WYOMISSING, PENNSYLVANIA 19610-1222

TELEPHONE: (610) 372-4761
FACSIMILE: (610) 372-4177
WWW.RYANRUSSELL.COM

HARRISBURG OFFICE
SUITE 101
800 NORTH THIRD STREET
HARRISBURG, PENNSYLVANIA
17102-2025
TELEPHONE: (717) 236-7714
FACSIMILE: (717) 236-7816

December 22, 2003

VIA UPS OVERNIGHT

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DOCUMENT

James J. McNulty, Secretary
Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, Pennsylvania 17120

Re: Proposed Rulemaking Electric Service Reliability
Docket No. L-00030161

Dear Secretary McNulty:

Enclosed for filing in the above matter on behalf of Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company are an original and nine (9) copies of Joint Reply Comments.

Copies of the enclosed Joint Reply Comments are being served upon those parties specified in the enclosed Certificate of Service.

Very truly yours,

RYAN, RUSSELL, OGDEN & SELTZER

Alan Michael Seltzer

Alan Michael Seltzer

Enclosure
AMS:jab

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Proposed Rulemaking Electric Service Reliability [52 Pa. Code Chapter 57]	: : : :	Docket No. L-00030161

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the Joint Reply Comments of Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

Service by UPS Overnight, postage prepaid, addressed as follows:

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Elizabeth Barnes, Esq.
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Office of the Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923

Office of Small Business Advocate
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, PA 17101

Dated: December 22, 2003

Alan Michael Seltzer

Alan Michael Seltzer
RYAN, RUSSELL, OGDEN & SELTZER LLP
1105 Berkshire Boulevard, Suite 330
Wyomissing, Pennsylvania 19610-1222
(610) 372-4761

Attorneys for Metropolitan Edison Company,
Pennsylvania Electric Company, and
Pennsylvania Power Company

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BEFORE THE

PENNSYLVANIA PUBLIC UTILITY COMMISSION

Proposed Rulemaking Electric Service Reliability [52 Pa. Code Chapter 57]	: : : :	Docket No. L-00030161

DOCKETED
JAN 1 3 2004

JOINT REPLY COMMENTS OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY AND PENNSYLVANIA POWER COMPANY

DOCUMENT

I. INTRODUCTION

On December 8, 2003 Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec") and Pennsylvania Power Company ("Penn Power") (collectively, the "Companies") submitted Joint Comments in this proceeding suggesting, among other things, that the two underlying premises of the Commission's[1] proposed rules in this proceeding are flawed. First, the Commission erroneously believes that *more data* from the EDCs will allow it to better monitor reliability performance. Second, the Commission errs in believing that the type of information being sought in the proposed rules directly relates to distribution system reliability. As a result of these erroneous assumptions, the Companies urged the Commission to re-evaluate the proposed regulations in connection with the submission of financial and operating data.

The Office of Consumer Advocate ("OCA") and the AFL-CIO ("Labor") have also provided comments to the proposed regulations in this proceeding. These Joint Reply Comments respond to certain issues raised by the OCA and Labor. Unless

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[1] All capitalized terms not otherwise defined in these Joint Reply Comments shall have the meanings specified in the Companies' original Joint Comments in this proceeding.

otherwise specified, these Joint Reply Comments are applicable to both the OCA and Labor.

II. SUMMARY OF JOINT REPLY COMMENTS

There is a huge conceptual chasm between the Companies and the OCA and Labor regarding how the Commission should fulfill its statutory duties to monitor EDCs' reliability performance and to ensure that reliability has not deteriorated as a result of competition in generation. These differences are reflected in the tone and substance of the OCA's and Labor's comments in this proceeding.

In the face of these huge differences of opinion, it is important that the Commission, and eventually all the key participants, do not lose sight of the fundamentals:

(i) maintaining and improving reliability is in everyone's best interest;

(ii) reliability should be measured against realistic quantitative and qualitative indices;

(iii) the Commission and other key participants must receive and/or have access to timely *and relevant* information about an EDC's reliability, based upon realistic qualitative and quantitative performance measures;

(iv) maintaining and improving reliability requires numerous complex decisions about a significant amount of inter-related variables, which can and do vary among the EDCs; and

(v) neither the Commission nor other parties can or should have the right to micro-manage or second-guess an EDC's judgments on any of the multiple factors that might impact reliability.

Unfortunately, the comments submitted by the OCA and Labor do not respect these fundamental principles that should (and must) be the cornerstone of the Commission's reliability regulations.

Based upon the foregoing principles, the Companies cannot support and strongly disagree with the OCA's recommendations that:

- The pre-restructuring benchmarks must be used as the minimum level of performance under the proposed regulations;
- The Companies' reliability has deteriorated compared to pre-restructuring service;
- EDCs that have violated the established performance standards must file a mandatory "improvement plan" with mandatory penalties for non-performance;
- EDCs should be required to report substantial data to the Commission on an "operating area" basis when the proposed rules expressly eliminate operating areas as the basis for evaluating reliability performance; and
- EDCs should be required to submit an annual reliability report to customers.

The Companies also object to Labor's (i) allegations about the factors that in its view have resulted in a "dramatic increase in the number and duration of outages, more severe damage from storms than would have been the case if sound practices had been followed, and greatly lengthened storm-related outages" (Labor Comments at 4), and (ii) its request that the Commission explain why it is important to report "call-out" acceptance rates.

All of the Companies' specific objections to the OCA and Labor are described below.

III. SPECIFIC REPLIES TO COMMENTS

A. Reply to OCA

1. The Companies' pre-restructuring benchmarks cannot and should not be used as their minimum level of performance under the proposed regulations.

The cornerstone of the OCA's comments on the Rulemaking Order and the proposed regulations is that each EDC's pre-restructuring reliability performance benchmark should be the minimum acceptable performance level post-restructuring. (OCA Comments at 3). The problem with this approach is that it assumes that every EDC has an *accurate* pre-restructuring performance level that can be fairly used as the launching off point for evaluating prospective reliability performance. This assumption is patently false, as the Companies have repeatedly demonstrated in this proceeding and in their original and reply comments to the Tentative Order.

The Companies have consistently argued that it is unfair and inappropriate to use data gathered from 1993 to 1997 to establish the baseline for determining their on-going reliability performance. Instead, they proposed, in comments filed in response to the Tentative Order, a set of revised standards and benchmarks based upon SAIFI, SAIDI and CAIDI for years 1998-2002 in order to avoid the inaccurate reliability data from the mid-1990's that the Commission used in developing its newly proposed benchmarks and standards.[2]

The data quality problems facing the Companies are real and impact them in a meaningful way. Reliability data from 1993-1997 is *not* capable of forming a reasonable benchmark or performance standard for the Companies. In the period 1993-1997, prior to the installation of their outage management system, in a storm situation Met-Ed and Penelec would receive actual customer calls from only a sample of actual customers affected. This information, along with circuit lockout information, limited field observations, and system knowledge and experience of the regional dispatch organization, formed the basis for the estimate of customers affected by the outage. At the end of the outage, this information, along with an approximation of the duration of the outage and circuit/project restoration progress, was used for restoration performance reporting and reliability performance indicator reporting.

When Met-Ed and Penelec installed their state of the art outage management system, every customer was connected to the system for outage monitoring purposes. This increased "customer connectivity", along with improved customer accessibility through Met-Ed and Penelec's telephone system, resulted in the ability to capture essentially every customer outage and the duration of that outage. The bottom line is that because the new outage management system captures more actual outage data than was available previously, the new data makes it appear that the reliability indices are higher now than existed prior to restructuring. The result is that any comparison between these two different data sets will suggest that service has deteriorated because more

[2] For ease of reference, the Companies' proposed recalculated benchmarks and standards – submitted previously in connection with the comments on the Tentative Order -- are attached to these Joint Reply Comments as Exhibit A.

accurate data is now being captured by the new system than could be done previously. It is dangerous to conclude service reliability has deteriorated by a comparison of data collected in two materially different ways. Yet, this is precisely what the OCA urges the Commission to do in this proceeding.

Because of the vast difference in data quality and quantity subsequent to the installation of the outage management systems, no meaningful trends or benchmarks can be derived from data under the old system compared to data collected under the new system. In contrast, the benchmarks proposed by the Companies in their original Joint Comments to the Tentative Order are based upon consistent data that provides a meaningful baseline performance standard.

However, the OCA continues to ignore the Companies' explanation of data quality issues and instead places huge significance upon comparisons of reliability data gathered and reported under the old manual system and the new system. The OCA also continues to pay "lip service" to these data quality issues by suggesting in a footnote that they "should be considered and addressed in the development of the improvement plans." (OCA Comments at 14, fn. 3). This is the wrong time to address the problem, since the issue is not compliance, but a problem with the benchmarks themselves. Under the OCA's approach, the Companies will have already violated the applicable performance standards even before they would have had an opportunity to argue that the data quality problem needs to be considered in the process. This is much too late in the process to address data quality issues, because data collection impacts the very pre-restructuring standards against which the Companies will be evaluated.

The only realistic way to address this problem is through the establishment of realistic and accurate pre-restructuring benchmarks. Unlike the OCA that continues to ignore the problem, the Companies have addressed it directly by proposing new and realistic reliability benchmarks and standards. (See Exhibit A attached hereto).

Although Penn Power's data quality issues did not arise from the installation of a new outage management system, the bottom line is the same: the difference in reliability data collection between the mid-1990's and the present time makes it appear that there has been a deterioration in service reliability which is not true. Once the base line data is adjusted to account for Penn Power's conversion from paper maps to electronic mapping and the inaccuracy in data has been corrected, it is possible to establish realistic benchmarks that can truly address reliability performance *and improvement*. Those benchmarks are also shown on Exhibit A.

Even if accurate pre-restructuring benchmarks could be established for the Companies based upon 1993-1997 data, it would still be inappropriate to adopt the OCA's position requiring post-restructuring reliability performance to equal the pre-restructuring performance benchmark. Such an approach provides no room for performance variability and, under the OCA's theory, could result in mandatory penalties at worst or at best the filing of an improvement plant containing penalties. It is absolutely essential that any quantitative reliability standard or benchmark arising out of this proceeding expressly allow for variations in actual performance prior to any enforcement or penalties. While the Commission has already recognized this need in the way it created the rolling 12-month and 36-month rolling reliability standards, the OCA obviously does not. Many of the causes of service outages and interruptions are the result of factors completely beyond the control of the EDC, like severe weather, animals, car pole and other accidents, long miles of line exposure, restrictions on line locations that can enhance accidents and outages, etc. Because such "force majeure" events can cause service degradation, it is necessary to provide a *range* of acceptable performance before determining that an EDC has a reliability problem. By suggesting that pre-restructuring reliability performance must be the minimum standard for post-restructuring service, the OCA has failed to consider the very real factors that can impact reliability that are not within an EDC's control. This is an unacceptable and inappropriate result that must be rejected in the final regulations.

The OCA's rejoinder to all of these arguments is that the Competition Act requires the Commission to ensure that post-restructuring reliability performance be no less than pre-restructuring performance. According to the OCA, the only way to accomplish this goal is to compare pre-restructuring data (i.e., 1993-1997) with post-restructuring data. There are two primary responses to the OCA's argument. First, the data used by the Companies in establishing their revised benchmarks and standards (Exhibit A), contains at least one year (1998) of pre-restructuring data. Second, the Competition Act does not address the very real problem resulting in differences in data quality between pre and post restructuring. There is nothing in the Competition Act suggesting that the General Assembly desired or intended to penalize EDCs because of improvements in outage data gathering post-restructuring. Like so many other areas of regulation that require the expertise of the Commission to fill in the shadows cast by a less than clear statute, here too the Commission must exercise reasonable discretion and expertise in fulfilling the letter and spirit of the Competition Act. In this regard, the benchmarks and standards proposed by the Companies strike the right balance, and are fully consistent with the Competition Act. The OCA is wrong to suggest otherwise.

2. The Companies' reliability has not deteriorated compared to pre-restructuring service.

Another premise of the OCA's comments is that reliability for most EDCs, including the Companies, has deteriorated post-restructuring (OCA Comments at 1). Based upon a comparison of current data collected under the Companies new outage management system with data collected under the manual system, it might be easy to reach such a conclusion. However, as demonstrated above, just because it is easy does not make it right.

These claims about deteriorating service reliability are wrong as a factual matter. The poor or deteriorating service quality that the OCA claims to exist is predicated upon the Companies' data collection issues and the installation of a new outage management system that are discussed above. In a nutshell, the new outage management system for Met-Ed and Penelec captures more data about service interruptions than was available previously, making it appear that their service has been deteriorating over time. This phenomenon is solely the result of the new outage management system and is not evidence of a real reliability problem.

There is a clear *qualitative* component to service reliability that the OCA has ignored in its zeal to rely on numbers. Especially when there is good reason to question the comparison of pre and post restructuring reliability indices, the Commission must view and consider the qualitative evidence on reliability as a check on and as a supplement to the numerical analyses. For example, the Companies' commitment to service reliability is reflected in the Commission's 2002 Customer

Service Performance Report ("Performance Report"), issued by the Bureau of Consumer Services ("BCS"). For example, the BCS found or documented that the Companies' customers viewed their overall quality of service in 2002 to be among the highest of EDCs in the Commonwealth (Appendix A, Table 1B).

The Commission must not accept the OCA's invitation to modify the proposed rules based upon unproven assertions of declining service reliability that are (i) based upon a failure to comprehend the impact of changes in outage management data on reliability and (ii) inconsistent with qualitative evidence to the contrary.

3. There is no reason to require EDCs to file a mandatory "improvement plan" with mandatory penalties for non-performance.

The Companies previously commended the Commission for its enlightened approach to non-compliance with the ultimately established performance standards:

> Subsection (h)(3) of § 57.194 accurately reflects the approach the Commission should take when an EDC fails to meet its applicable performance standards. Rather than commencing immediate enforcement efforts, the proposed rules properly suggest that such a failure shall be the "threshold for triggering additional scrutiny by the Commission staff." This approach recognizes that there are many possible causes of and explanations for a failure to meet performance standards, and that rarely is immediate and punitive enforcement necessary or desirable.

(Companies' Joint Comments at 6-7).

The OCA, however, seeks to turn Subsection (h)(3) of § 57.194 on its head by removing all Commission discretion to address non-compliance issues with a mandatory "formal improvement plan" that "must contain mandatory penalties..." (OCA Comments at 13).

The OCA's suggestion, coupled with its other recommendation to eliminate any variability in meeting the established performance standards is unworkable and unreasonable, and underscores once again its lack of knowledge about (or its unwillingness to acknowledge) the factors that impact reliability performance. The fact is that there are many factors beyond an EDC's control that could cause its reliability indices to fall out of compliance for a short period, especially if there is no leeway in satisfying the performance standard. For example, the Commission should be permitted to consider and evaluate the impact on the reliability indices of a series of contemporaneous and severe storms, beyond the EDC's control, that do not constitute a "major event" that would be excluded from the calculation of the reliability indices. However, in the OCA's world, regardless of the reason for non-compliance, the EDC would be required to develop an improvement plan with the Commission staff and publish it for comment. Such a process removes much of the Commission's discretion and flexibility to understand the cause of the non-compliance and to open a prompt dialogue with the EDC that could lead to an equally expeditious resolution. Instead, under the OCA's paradigm and regardless of the cause of the non-compliance, the affected EDC, the Commission and other parties (including the OCA) would be engaged in a formal and potentially lengthy administrative process to address the reliability issue, leading to an improvement plan and mandatory penalties. This process would be instituted regardless of the size, magnitude or reasons for the EDC's non-compliance. Such a structure is likely to be unworkable in actual practice and will substantially add to the time, expense and resources of all involved, for even the most minor issue of non-compliance.

Proposed section § 57.194(h)(3) has it right. If the Commission identifies an EDC's non-compliance, it should trigger Commission scrutiny, with all remediation and other options available to address the issue. This approach provides maximum discretion to the Commission without establishing a cumbersome, time-consuming and needless process.

In addition to the reasons cited above, the OCA's improvement plan should be also rejected because it relies upon mandatory penalties for non-compliance. As a general matter, any mandatory sanction always has the inherent risk of imposing penalties that are wholly disproportionate to the alleged violation. It is not clear how the OCA envisions such penalties will be established, but it is reasonable to expect that a significant amount of time will be devoted to the penalties in any discussions between the Commission staff and the EDC, taking valuable time away from the more important discussions about the nature and magnitude of the violation and any necessary remediation. The Commission has sufficient discretion generally to impose appropriate sanctions without mandating a "penalty" approach in the abstract without any sense of the causes and reasons for the non-compliance.

From the Companies' perspective, there is still another reason why the OCA's mandatory penalty structure must be rejected. During the proceeding leading up to the Commission's approval of the FirstEnergy Corp. and GPU, Inc. merger, the OCA advocated a set of penalties if Met-Ed and Penelec failed to meet certain quality of service benchmarks collectively referred to as the "Service Quality Index" ("SQI"). Although the Commission ultimately ordered Met-Ed and Penelec to implement the SQI advocated by the OCA, it expressly *rejected* the imposition of penalties for non-compliance with those standards:

> However, we also agree with the ALJ that the penalties and customer restitution included in the proposed SQI *need not be self-executing* (R.D., pp. 59-60). Instead, we conclude that the penalty and restitution provisions of the SQI should be considered only as guides for the Commission's consideration in any complaint brought before it as a result of the annual SQI report.

Joint Application for Approval of the Merger of GPU, Inc. with FirstEnergy Corp., Docket No. A-110300F0095, Order entered June 20, 2001, Slip Op. at 32. (emphasis added).

In the Tentative Order proceeding, the OCA attacked the Companies' revised benchmarks and standards as inappropriate because they are allegedly bound to the merger order establishing the SQI (OCA Reply Comments at 8-9, Tentative Order). However, the OCA cannot have it both ways. On the one hand, it claims Met-Ed and Penelec are bound to the performance standards in the merger order, but on the other hand it ignores that very order which clearly rejected penalties.

The reality is that penalties are unreasonable and unnecessary for the reasons specified above. There is no valid policy reason for an improvement plan and mandatory penalties. Both of these OCA suggestions should be rejected in favor of the Commission's sound discretion and flexibility in dealing with the multiple and complex components of service reliability.

4. EDCs should not be required to report substantial data to the Commission on an "operating area" basis when the proposed rules expressly eliminate operating areas as the basis for evaluating reliability performance.

Although the OCA has supported the Commission's efforts to eliminate the requirement to use operating areas as the basis for *evaluating* an EDC's reliability performance, it now wants to reinstitute the operating areas as a basis for *reporting* reliability data. (OCA Comments at 18). The Companies do not support this concept and urge that it be rejected.[3]

First, although the OCA seems to suggest otherwise (OCA Comments at 18), the Companies will no longer maintain reliability information on an operating area basis if the Commission's proposed rules become final. Contrary to the OCA's suggestion, the Companies will not manage reliability throughout their system via operating areas once compliance and enforcement will be based on full service territories. Of course, the Companies will continue to monitor their overall system reliability, including individual circuit reliability.

Second, the OCA's recommendation would require EDCs to maintain duplicative and additional data, with no real intended purpose. Given the huge amounts of financial and operating data already being proposed to be submitted under the proposed regulations, there is no need to add substantial additional information, especially when it will not otherwise be maintained for operating purposes. Accordingly, the Companies urge the Commission to reject the OCA's request to maintain and report data on an operating area basis.

5. EDCs should not be required to submit an annual reliability report to customers.

Seemingly ignoring the Companies' concerns about the quantity of data required to be gathered and filed under the proposed regulations and the *confidentiality*

[3] The Companies' suggestion that the operating area concept be rejected for reporting purposes is not inconsistent with its completely separate request that Penelec, because of its unique size and expansive service territory, be broken down into two areas for actual enforcement purposes. This latter approach is simply a way to allow Penelec to more realistically treat outages and major events, while still utilizing a single Company-wide index for reach reliability measure. It is intended to be applicable for reporting and enforcement purposes, not merely reporting as urged by the OCA.

of such data, the OCA wants EDCs to widely disseminate reliability information to customers in an annual report via bill inserts (OCA Comments at 20). The Companies urge that this suggestion be rejected.

As stated earlier in this proceeding, the Companies have real concerns about the proprietary and confidential nature of much of the operating and financial data the Commission is proposing they file under the proposed rules. Notwithstanding these concerns, the OCA wants the EDCs to distribute much of this information in a public manner to customers. While the Companies understand (and indeed share) the OCA's desire to communicate some information to customers, this type of broad disclosure must yield to the Companies' confidentiality and proprietary concerns that could adversely impact their ability to operate their business in a cost-effective manner.

Indeed, the OCA's desire for elaborate annual reporting of "applicable benchmarks and standards, the current system-wide performance reported to the Commission, performance in the operating area of the customer (if feasible), causes of outages, and actions taken to correct or address reliability..." (OCA Comments at 20), assumes that customers can understand this data and can draw meaningful conclusions from it. If anything, this and the Tentative Order proceeding demonstrate the complex nature of reliability and the absence of consensus on what any data means. In the face of this inescapable situation, the OCA wants to draw millions of customers into the debate about how to interpret and analyze quantitative data, much of which has no direct bearing on reliability at all.

In addition, the OCA has made no provision in its broad reporting recommendation for the recovery of the incremental time and costs EDCs will inevitably incur to gather, analyze, format, prepare and mail these "annual" reports to customers.

There are overwhelming reasons to reject the OCA's demand for annual reliability reports to customers, and the Commission is urged to do so.

B. Reply to Labor

1. The Companies object to Labor's speculation about what it believes has resulted in a "dramatic increase in the number and duration of outages, more severe damage from storms than would have been the case if sound practices had been followed, and greatly lengthened storm-related outages."

On page 4 of its Comments, Labor alleges that reductions in inspection and maintenance budgets, changes in inspection and maintenance practices, reduction in work force; redirection of resources into unregulated operations, drastic reductions in spare parts inventory and failing to comply with sound inspection, maintenance and repair practices have resulted in a "dramatic increase in the number and duration of outages, more severe damage from storms than would have been the case if sound practices had been followed, and greatly lengthened storm-related outages." (Labor Comments at 4).

First, Labor's comments are general in nature and are not specifically applicable to any EDC. For example, Labor never claims that any of its allegations are applicable to any of the Companies or any EDC. Second, there is no empirical or other basis cited by Labor for such sweeping general statements. These are nothing more than unsupported allegations that cannot and should not be the basis for any Commission action in this proceeding. Third, as a factual matter, the Companies strongly dispute the allegations as being applicable to them at all. Indeed, as argued elsewhere in these Joint Reply Comments, reliability performance is impacted by many variables, the most important of which is consistent and accurate data collection. The Companies dispute Labor's suggestion that their reliability has deteriorated. Much of what Labor sees as diminished reliability is the result of the data quality issues discussed above.

This Commission cannot and should not base any proposed reliability regulations upon Labor's general allegations that are unsupported by empirical evidence applicable to a specific EDC or the industry.

2. Labor's request that the Commission clarify why call-out acceptance rates are important is misplaced and unnecessary.

Labor makes a plea on pages 6 and 7 of its Comments for the Commission to state why call-out acceptance rates are important in the consideration of service reliability. In support of its argument, Labor makes broad statements that are not identified as being applicable to the Companies or indeed any specific EDC. Indeed, the variety of call-out practices identified in its Comments demonstrates precisely why the Companies urged the Commission to eliminate any requirement to report on such matters. (Companies' Joint Comments at 16-17).

There is a substantial variation among the EDCs in how they address call outs. These practices have developed over the years, and are often the result of historic practice, corporate culture, specifically negotiated labor agreements that vary among the EDCs, capability of workforce, etc. Given these huge variations, it is impossible to meaningfully compare the EDCs and to do so would be highly misleading.

It is inappropriate to report call-out acceptance rates since there is no uniform method by which EDCs define such rates or report them. For example, some EDCs count *each* call to an employee that does not answer the phone, or a response from an answering machine, as a rejection of a call-out, while others may aggregate the calls in a reasonably proximate time and treat them as a single rejection. It is important to note that there are also various ways labor agreements have been negotiated to address the call-out process, and variations between EDCs, and even different unions within the same EDC, can result in inappropriate comparisons. This lack of a standard for defining call-outs and "acceptance", along with the inability to account for variations among the EDCs labor agreements, could lead to unreasonable and inappropriate comparisons. Once again, under these circumstances, the possible mis-use and misinterpretation of this data is high, and clearly suggests that such data should not be required to be reported. This information at best has no meaningful relationship to performance reliability, and the potential for significant misunderstanding of the information more than outweighs any potential benefit the Commission might derive from it.

Accordingly, the Commission should not only eliminate call-out acceptance rates as a required item for reporting purposes, but should decline to accept Labor's invitation to state in the proposed regulations why call-out acceptance rates are important.

IV. Conclusion

The Companies urge the Commission to (i) modify the proposed regulations consistent with their Original and Reply Comments in this proceeding and (ii) adopt the Companies' revised benchmarks and standards as proposed in their initial Joint Comments to the Tentative Order, as a realistic way to resolve their data quality issues and to provide a reasonable platform for evaluating their prospective reliability performance.

Respectfully submitted,

Dated: December 22, 2003

Alan Michael Seltzer

Alan Michael Seltzer
RYAN, RUSSELL, OGDEN & SELTZER LLP
1105 Berkshire Boulevard, Suite 330
Wyomissing, Pennsylvania 19610-1222
(610) 372-4761

Linda Evers
Michael Wolfe
2800 Pottsville Pike
Reading, Pennsylvania 19601

Attorneys for
Metropolitan Edison Company,
Pennsylvania Electric Company and
Pennsylvania Power Company

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Proposed Benchmarks & Standards

		Benchmarks			Standards			
Company	Reliability Indices	PaPUC Current Benchmark	PaPUC Recomputed Benchmark	Companies' Proposed Benchmark	PaPUC Proposed 12-Month Rolling (120%)	Companies' Proposed 12-Month Rolling (120%)	PaPUC Proposed 3-Year Rolling (110%)	Companies' Proposed 3-Year Rolling (110%)
Met-Ed	SAIFI	0.97	1.06	1.17	1.27	1.41	1.17	1.29
	CAIDI	117	127	156	152	187	140	171
	SAIDI	113	135	179	194	215	163	197
Penelec	SAIFI	1.07	1.15	1.39	1.38	1.66	1.27	1.52
	CAIDI	104	115	143	138	172	127	158
	SAIDI	108	132	204	190	245	160	225
Penn Power	SAIFI	1.01	1.02	1.35	1.22	1.62	1.12	1.49
	CAIDI	93	92	118	110	141	101	129
	SAIDI	95	94	157	135	189	114	173

Note: Penn Power, Met-Ed and Penelec proposed benchmarks are calculated using reliability indices from years 1998 - 2002.

Exhibit A