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October 22, 2018

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, PA 17120

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2018 OCT 24 AM 10: 29
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Re: Implementation of Act 58 of 2018, Alternative Ratemaking for Utilities, Docket No. M-2018-3003269

Dear Ms. Chiavetta,

We, the undersigned, offer this comment letter on the Implementation of Act 58 of 2018, Alternative Ratemaking for Utilities, Docket No. M-2018-3003269.

On June 28, 2018, Act 58 of 2018 was signed into law amending the Pennsylvania Public Utility Code to permit the Pennsylvania Public Utility Commission ("Commission") to approve alternative rates and rate mechanisms. On August 23, 2018, the Commission published a Tentative Implementation Order seeking comments on the proposed implementation of Act 58.

Alternative rates and rate mechanisms have the potential to not only modernize how we regulate utilities, but alternative rate designs can help us align utility rates with performance outcomes and important public policy goals. Performance based regulatory frameworks include incentive mechanisms designed to motivate utilities to maintain or improve service, safety, and quality outcomes. In addition, states have adopted and utilities have implemented performance incentives related to certain public policy objectives such as peak reduction, energy efficiency, customer engagement, affordability, and distributed energy resources interconnection.¹ We propose that the Commission in implementing Act 58 consider including key performance incentives that enhance service, quality, and safety through the adoption of outcomes related to workplace safety, worker training, responsible contracting, and labor practices that reduce poverty and enhance the quality of life for workers in Pennsylvania. Other states have already done this. Colorado and Illinois have included in their utility rate reforms, provisions that promote quality job creation and labor standards. Specifically, we propose the following:

¹ The Brattle Group, *Performance Based Regulation Plans, Goals, Incentives and Alignment*, December 6, 2017, https://www.michigan.gov/documents/mpsc/Brattle_Report_to_DTE_on_Performance_Based_Regulation_120617_613150_7.pdf.

1. **Performance incentives tied to workplace safety outcomes.** Workers employed by utilities and utility contractors play a critical role in the safety and reliability of utility assets. Worker safety is intrinsically tied to public safety, as workers are on the front lines of service and system malfunctions. The Commission should consider the adoption of minimum workplace safety measures, to not only protect workers, but improve safety for communities and the overall reliability of service. While utilizing of contract services by public utilities is common practice in the industry, contractors need to be adequately trained in providing these unique services. Under-trained contractors put the utilities and consequently the ratepayers at risk. The Commission should be concerned with the workplace safety practices of third party contractors as well as the utilities themselves. In order to enhance safety and reliability of our utility infrastructure, we urge the Commission to adopt performance incentives related to workplace safety outcomes for anyone working on the infrastructure.

2. **Performance incentives tied to worker training.** Whether construction activities are performed by contractors or in-house personnel, the persons performing these tasks must have proper training. The need for proper training should be obvious—the work these employees are performing is dangerous, and, when done improperly, life threatening for both workers and the general public. There have been a number of high profile incidents in recent years, in our state and nationally, that have highlighted the problems that can occur, particularly with commodities such as natural gas service. As recently as last month, three towns in northern Massachusetts were rocked by dozens of natural gas explosions resulting in massive property damage, one fatality, and numerous injuries.² The most common pipeline incidents are caused by excavation damage.³ To help curb cases like these from potentially occurring, workers must be qualified to perform the needed work safely. Presently, utilities are responsible for developing and maintaining written qualification programs. We urge the Commission to develop and maintain a written qualification program for training purposes using the Federal PHMSA standards as a “floor”. Gas pipeline safety training programs should provide additional, hands-on, skills-based programs for adult learners and reward apprenticeship opportunities in utility procurement programs.

3. **Incentives tied to responsible contracting practices that raise labor standards by reducing poverty, and enhancing the quality of life of contracted-out utility workers.** At many utilities, contractor employees are part of the labor mix. Many utilities rely exclusively on contractors to perform certain activities such as major construction projects and pipeline modernization efforts. More is known about the labor standards, including wages and benefit packages of in-house workers, utilities report limited data on its contracted-out workforce. We want to ensure that utilities employ contractors who create quality construction careers that pay family supporting wages, provide family health insurance, and offer retirement benefits, because they

² <https://www.theatlantic.com/science/archive/2018/09/massachusetts-explosions-fire-gas/570361/>

³ Pipeline incidents caused by excavation damage can result in fatalities and injuries, as well as significant costs, property damages, environmental damages, and unintentional fire or explosions.

<https://primis.phmsa.dot.gov/comm/DamagePrevention.htm>

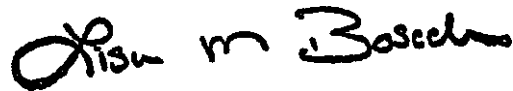
typically attract more experienced and well-trained individuals. This is especially important due to the nature of the work being performed. We urge the Commission to adopt incentives tied to responsible contracting practices that raise labor standards, including policies that provide workers living wages, family supporting health insurance, and retirement benefits.

In conclusion, alternative rates and rate mechanisms can better align utility rates with performance outcomes that improve safety, reliability, service, and quality. Workers are critical to achieving these outcomes, and accordingly, workers must be protected and labor standards should be enacted in the implementation of Act 58. Environmental organizations, utilities, commercial customers, and other parties have commented on their interests, but the voice of workers that provide these crucial services to our homes, businesses, schools and communities cannot be left out. The implementation of Act 58 must include strong training and protective standards in order to be comprehensive, and truly deliver the purpose of alternative ratemaking we sought when approving the legislation. We appreciate the opportunity to comment on the implementation of Act 58.

Sincerely,



John T. Yudichak
State Senator
14th Senatorial District



Lisa M. Boscola
State Senator
18th Senatorial District

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