

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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

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The Energy Association of Pennsylvania (“Energy Association”) on behalf of the eleven investor-owned electric distribution companies<sup>1</sup> (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 Tentative Order in Docket No. M-00991220 (hereafter “Tentative Order”).

**SUMMARY OF ANSWER AND ARGUMENT**

The EDCs have the responsibility to provide reliable service and they have fulfilled that responsibility well even during times of inclement weather.

The provision of electrical service is, has been, and will remain a complicated mixture of technology, manpower, resources, and elements such as customer demand.

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<sup>1</sup> 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

This mixture is heavily influenced, at times, by factors outside the control of an EDC. These include, for example: snow, ice, wind, lightening, drought, animals<sup>2</sup> and pole hits, which EDCs take prudent measures to address but which, in the final analysis, occur randomly and with varying degrees of impact.

Despite the OCA and AFL-CIO's proclamations to the contrary, using pre-competition average values of reliability statistics as the new standards applicable in this post-competition era would result in an unfair and potentially unattainable performance measurement. Recognizing this, the OCA and AFL-CIO have suggested that using the historical data as a foundation, but making a minor adjustment for the impact of major storms, sufficiently closes the gap created by the flawed statistical comparison. This, however, does not suffice. Both the historical data and the post competition data contain natural variations for which a bandwidth must be allowed. Major storm exclusions have changed and outage management systems have been updated. The only fair comparison that would result in standards that reflect the reliability EDC's should be targeting in this post-competition era, is one that considers not only the pre-competition data and major storms, but all the other factors that affect the reliability data as well. The OCA and AFL-CIO's proposal that the new standards be set at something resembling pre-competition average levels without regard for changes in data measurement and calculation should be rejected as it is founded on an apples-to-oranges comparison and is therefore, fundamentally flawed.

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<sup>2</sup> "Fried Squirrel is not a Favored Dish with Public Utilities" Wall Street Journal, February 4, 2003, pages A-1 and A-15

The inappropriate mixture of data by the OCA and the AFL-CIO is most evident in its attempts to handle the data of those EDCs who have installed new outage management systems. What OCA and AFL-CIO mistakenly considers deteriorating service quality is in actuality a data collections issue. It is well established that the installation of outage management systems lead to significantly greater reporting of outages. To achieve comparability a minimal five-year period of data pursuant to the new outage management system must be compiled.

The introduction of extensive use of automated mapping, geographical information systems, SCADA systems, reclosers, and generally the greater use of technology has dramatically increased over the past few years. These capital improvements, which the Commission is requested to take administrative notice of, have been made because the EDCs are service providers.

### **THE PUBLIC INTEREST IS SERVED BY MOVING ALL EDCS TO THE SAME CRITERIA FOR MEASUREMENT AND COMPARISON**

While supporting the Commission's initiative to have all EDCs measured prospectively by the same criteria (namely that there would be a consistent application of the major event criteria), OCA contends that the Commission's recomputation of historic benchmarks lowers the reliability performance expectations.<sup>3</sup> The Energy Association respectfully disagrees.

Under the current regulations, the Commission applied the criteria that when one of an EDC's operating areas experiences a major event, the event was deemed to

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<sup>3</sup> OCA Comments, pages 17 and 19

extend to all of the EDC's other operating areas.<sup>4</sup> During the 1999 proceedings, the EDCs that had multiple operating areas took the position before the Commission that, due to geographical, topographical and historical reasons, it was necessary to have the multiple operating areas treated in this fashion by company and the rules reflected this concern.

In its proposed rulemaking the Commission seeks to measure an EDC on an entire company basis.<sup>5</sup> Before any specific rulemaking was undertaken, the EDCs volunteered to assist the Commission and provide data based on an EDC's entire service territory.

The recomputed benchmarks do not, in and of themselves, change the historical service provided to the relevant EDC customers. The change of criteria does not improve or worsen the actual service rendered. Rather, by analogy, if one previously measured "cold" based on temperature and now decides to measure based on wind chill, then the element wind must be applied to the previous temperature-only measurements.

Under such an analogy, to determine whether a given prospective year is colder or warmer than past years, the measurements of wind chill both historically and prospectively must be the same. In a similar fashion, it is critical that for accurate comparisons, the method employed for historical and future evaluations of reliability criteria must be identical.

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<sup>4</sup> §57.192 Definitions

<sup>5</sup> Proposed Rulemaking §57.192 Definitions, Appendix A, page 1

The Commission has not lowered the benchmarks going forward, as suggested by the OCA, but has sought to ensure comparability. Accuracy is a critical component of performance measurements. In similar fashions, Citizens' and Wellsboro have changed their recomputed benchmarks to be far more restrictive than what had been reported under the current benchmarks. Although OCA overlooks this change, which significantly raises the standard for these two EDCs<sup>6</sup>, the reality is that the Commission is seeking to ensure comparability of measurement across all EDCs. The "current benchmark" for Citizens' and Wellsboro reflects non-exclusion of major events and, therefore, the Commission has updated this aspect of the data to ensure comparability.

The OCA also contends that other relevant data issues have been ignored.<sup>7</sup> If, however, the Commission were to correct the mathematical calculation in the current benchmark column then Allegheny Power, Penn Power, UGI and Pike County would all have the same SAIDI calculations as set forth in the Commission's recomputed benchmarks. Therefore, contrary to the OCA's assertion, the Commission has corrected any and all mathematical aberrations.

The recomputed benchmarks for Met-Ed, Penelec, and PPL fall within the range established by the other EDCs and, as such, now reflect common measurement with the other EDCs. The original or current benchmarks were all established in accordance with the existing Section 57.192 and the recomputed benchmarks are based on the proposed Section 57.192. Contrary to the OCA's assertion, the Commission has consistently adjusted Citizens' and Wellsboro performance standards to achieve

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<sup>6</sup> OCA Comments, page 20

<sup>7</sup> OCA Comments, Page 19, Footnote 6

comparability even though these recalculations go in the opposite direction of those for Met-Ed, Penelec and PPL.

If the process is going to be used to measure pre- and post-restructuring, then the definition of performance has to be identical. OCA's prospective-only argument for accuracy runs contrary to the accepted practice of comparing numbers that are calculated utilizing the same data base and criteria.

**THE OCA AND AFL-CIO WOULD HAVE THIS COMMISSION IGNORE THE UNPREDICTABILITY OF WEATHER**

The OCA and AFL-CIO would have this Commission view the variability of weather as being neutralized simply by the exclusion of major events, such as major storms. In reality, storms that do not qualify as major events can severely disrupt an EDC's distribution system and its corresponding performance indices. For example, the recent set of storms that passed through Pennsylvania on October 15, 2003 are indicative of the type of havoc weather can play with an operating distribution system, and also demonstrate the randomness of weather damage and the multitude of factors beyond the control of EDCs.

On October 15, 2003, wind storms hit Pittsburgh with 50 mph winds, while a mere 20 miles to the north the town of Cranberry was hit with 100 mph winds, and ten miles further north the winds measured 70 mph. At the same time, the wind measured

a sustained 20 mph at the Harrisburg International Airport with gusts close to 50 mph, according to the National Weather Service.<sup>8</sup>

Furthermore, adverse weather can hit the same place twice within a short time period. The Greensburg Tribune Review, for example, reported that in the month of July, 2003 a series of thunderstorms knocked out power to a number of customers in the western part of the state. Service was restored only to be knocked out again by another set of storms packing 60 mph winds.<sup>9</sup> For the EDCs involved, although the percent of customers impacted did not qualify as a major event, the weather had a substantial adverse impact.

Weather conditions, such as droughts, can undermine trees' root systems causing those trees to be uprooted far more easily than under normal rainfall conditions. A tree that is uprooted on one side of the street and then falls into the electric distribution line on the other side of the street is beyond the EDC's ability to control because the EDC can only control the tree trimming within its right-of-way.

Moreover, even in its right-of-way, an EDC is not permitted, as a general rule, to uproot a tree based upon a belief that it may cause problems in the future.

Storms, which do not qualify as major events, and other weather-related issues constitute significant variables affected an EDC's reliability statistics. As a result, the OCA's attempt to reduce the acceptable "range of reasonable" from 10% to 5% is inappropriate.

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<sup>8</sup> Patriot News, "High Winds Topple Trees, Knock Out Power", story by Tom Bouman, page B4, October 16, 2003

<sup>9</sup> Greensburg Tribune Review "Second Wave of Storms Leave 65,000 Without Power" July 8, 2003

## **THE OCA INCORRECTLY ASSERTS THAT HISTORICAL PERFORMANCE IS THE FLOOR FOR RELIABILITY PERFORMANCE**

The OCA contends that the historic pre-restructuring performance should be the minimum of acceptable performance in the future and criticizes the Commission for setting a standard of 10% of the historic performance benchmark based upon weather and other factors.

Because of the multitude of factors beyond the reasonable control of any EDC, however, a percentage range around the benchmark is appropriate.

As discussed above, weather is a key variable. Electric pole hits are another example. Between 1996-2000, there were 51,833 vehicular accidents across Pennsylvania involving utility poles.<sup>10</sup> People driving recklessly and striking utility poles has a significant effect on electric reliability. Indeed, such accidents constitute approximately 8% of all recent vehicle accidents, and the number continues to increase.

Another problem for EDCs is the major exception to the One Call statute, which exempts both Penn Dot and its contractors from notifying Pennsylvania One Call prior to digging in an EDC's right-of-way. This has led to an increasing number of service interruptions because the widening of roads has accelerated within the Commonwealth over the past four years.<sup>11</sup>

In addition, non-compliant contractors who dig without notifying One Call often are not punished with statutory fines.<sup>12</sup>

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<sup>10</sup> Department of Transportation Statistics 1996-2000

<sup>11</sup> Pennsylvania Underground Utility Line Protection Law Act 287 of 1974, amended by Act 187 of 1996, modified at 73 P.S. §176 et seq.

<sup>12</sup> Compare fall off in Department of Labor and Industry Fines between 1996 and 2000

## **MAJOR EVENTS DO NOT REQUIRE MULTIPLE REGULATORY FILINGS**

The OCA also requests that the EDCs first file a lengthy report setting forth the reasons why an event should be deemed a major event. If the Commission agreed with the EDC's position regarding a major event, the OCA would require that EDC to file a "full report on the restoration efforts for major events".<sup>13</sup> With such a report, the OCA, would seek to expand the scope of the request for major event status into a burdensome and costly prudency review of an EDC's storm restoration efforts.

The Energy Association, however, believes that the Commission's proposed major event process is unnecessary in that the Commission has simplified the definition of major event through its proposed rulemaking and the Tentative Order. A storm or some other major service interruption either does impact 10% of the EDC's entire population of customers, or it does not. A lengthy process over a relatively simple equation would result in unnecessary compliance costs with no corresponding reliability benefit. Similarly, the OCA's additional proposed reporting requirement would be even more burdensome and costly without any resulting benefit.

## **THE ENERGY ASSOCIATION WOULD REQUEST THAT THE COMMISSION REJECT THE OCA'S REQUEST FOR A MAIFI BENCHMARK**

The OCA again advocates imposing a MAIFI index. As the following cost benefit analysis indicates, there are practical and operational reasons to again reject this request.

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<sup>13</sup> OCA Comments, page 26

Many of the EDCs do not possess the technology or the equipment to properly measure and record MAIFI statistics. These utilities did not have this ability prior to restructuring, in the spring of 1999 (the time frame of the OCA's initial proposal), and do not have it now. Most small EDCs throughout this country have never maintained MAIFI statistics, and absent a governmental imposition, would not in the normal economic course choose to install equipment necessary to measure MAIFI statistics.

The larger EDCs have some limited MAIFI data. However, as the 1999 Commission Task Force determined, there were varying levels of completeness based on the equipment installed and data retrieval technology. Where there are SCADA systems monitoring a substation, the data is available. However, such technology is only at a limited number of substations and would clearly not provide the basis of a performance benchmark on standards. Moreover, although some member companies have limited locations where they receive MAIFI statistics, it would be imprudent to invest in data retrieval technology at all substations and line device locations.

Quite possibly, the strongest argument against OCA's MAIFI argument is operational experience. By adopting measures designed to minimize the impact of outages, whatever their cause, EDCs increase momentary outages to better ensure overall reliability. As this Commission is aware, new technology and new capital have been invested to narrow the number of customers impacted by any given service interruption. Therefore MAIFI measurements, where they exist, may well increase at a time when the other indices are improving.

Thus, OCA's conclusion that reducing MAIFI increases reliability is fundamentally and operationally incorrect. Furthermore, the willingness of the OCA to attempt to pigeon-hole operational reliability into a series of measurements fails to grasp the multitude of factors that impact reliability or the skills necessary to maintain reliability.

### **THIS DOCKET IS NOT A REHEARING ON PREVIOUS COMMISSION RULINGS**

In Docket No. M-0099, the AFL-CIO sought, as here, to alter the years used for the baseline benchmarks. Notably, in its December 16, 1999 Order, the Commission rejected that proposal and established the appropriate baseline period for computing benchmark data as 1994-1998, not 1993-1997. Thus, by again applying 1993-1997 data in its most recent comments, the AFL-CIO attempts to reargue a point that was previously decided by the Commission. Such attempts by the AFL-CIO to re-argue the benchmark time period data should be rejected.

The comments of the AFL-CIO also suffer from the same analytical difficulty as those of the OCA. Like the OCA, AFL-CIO proposes that the new standards be set at levels equal to certain pre-competition performance. While this approach has the superficial appeal of facilitating comparisons of pre- and post-competition performance, it, like that of the OCA, fails to take into account the fundamental statistical variability concerns that the Commission's benchmark and standard approach is designed to address.

While the AFL- CIO contends that the new performance standards do not achieve the goal of ensuring the reliability levels prior to restructuring<sup>14</sup>, the Commission has correctly recognized that the reliability metrics vary from year to year and that this results in natural variation above and below the average in the post-competition period. Establishing performance standards within a bandwidth of acceptability as proposed by the Commission is, therefore, the correct method to measure electric reliability.

The OCA contends that quality and standardization of utility reporting data<sup>15</sup> is not being met. However, the Commission is using the three standard reliability metrics- SAIFI, CAIDI and SAIDI, which have been developed using the same criteria. This results in consistent, standardized reporting by the EDCs.

The Energy Association opposes the AFL-CIO proposed requirement for a Commission order before an EDC can exclude a major event.<sup>16</sup> The information proposed to be included in the Formal Request for Exclusion contains the same information required in the Service Interruption Report, with the only difference being the total number of customers served. As such, there is no need to create a separate formal process to determine whether a Major Event has occurred. The definition of a Major Event is straightforward and can be readily applied. The Commission will be receiving the data on timely basis through the Service Interruption Report and can always require additional information if there is a concern about the data being reported.

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<sup>14</sup> AFL-CIO Comments, page 2

<sup>15</sup> OCA Comments, page 2

<sup>16</sup> AFL-CIO Comments, page 2

Further, the Commission has proposed to eliminate a major source of inconsistency and confusion by establishing benchmarks and performance standards that are calculated excluding major events from the perspective of the entire service territory.

By comparing the old and new performance standards, the AFL-CIO essentially makes an apples and oranges comparison in that the old performance standards were set at two standard deviations above the previous benchmarks. Those benchmarks, however, have now been recomputed using a system-wide operating area for all EDCs, whereas previously, not all EDCs used the system-wide operating area criterion. Moreover, the new standards are set at 110% of the recomputed benchmarks and are based on a three-year rolling average. Comparing the old and new standards as the AFL-CIO has done, therefore, amounts to inappropriately mixing different numbers for comparison purposes.

## **CONCLUSION**

The EDCs have made ongoing investments in capital to maintain and upgrade their facilities. Reliability is at the very heart of responsibility for an EDC. While the EDCs have endeavored to cooperate with the Commission to strengthen the reliability indices and to standardize the definitions utilized, the EDCs maintain that the reliability provided in Pennsylvania meets statutory requirements.

The EDCs would ask the Commission to resist the efforts to add additional costs through a lengthy process on what is or isn't a major event. Further, the EDCs would

ask the Commission to recognize that there are significant variables outside the EDC's control and that there needs to be standards with sufficient flexibility around the benchmark. Finally, the data available and the circumstances impacting smaller EDCs have yet to be successfully captured and forbearance at this juncture is appropriate until the Commission has more data points. None of the comments offered by any of the parties supports the Tentative Order's proposal to have the most restrictive standards established for the smaller EDCs.

Respectfully submitted,

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