

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17120**

**Petition of PPL Electric Utilities
Corporation for Approval of its
Second Long-Term Infrastructure
Improvement Plan**

**Public Meeting: December 21, 2017
2622393-TUS**

Docket No. P-2017-2622393

STATEMENT OF VICE CHAIRMAN ANDREW G. PLACE

Before the Commission for consideration is the Petition for approval of the Second Long-Term Infrastructure Improvement Plan (Second LTIIP) of PPL Electric Utilities Corporation (PPL). Under this Second LTIIP, PPL projects investments to increase from an average of \$114.2 million per year during the five-year pre-LTIIP period and \$137 million per year during the first five-year LTIIP period, to \$180.6 million per year under the Second LTIIP. This is a cumulative, nominal increase in spending of 58%.

Given such a substantial increase in spending, it is vital that utilities provide more than *qualitative* assurances that the resultant increases in customer bills are being utilized to efficiently enhance reliability and safety, as envisioned under Act 11 of 2011. Rather, utilities should endeavor to accurately *quantify* incremental improvements in reliability and safety, in addition to operational expense savings, to optimally prioritize these investments so that they are made prudently in accordance with utility ratemaking principles and law.

To this end, I want to recognize the efforts of PPL for developing a process to achieve this investment prioritization process. In routinely reviewing the effectiveness of its LTIIP programs, program and project impacts on System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI), in addition to potential reductions in outage response costs, are compared to the overall program and project costs. Changes in reliability performance metrics are factored into program reviews and funding may be redirected to projects that help ensure PPL's ability to meet various reliability performance targets in a cost-effective manner. PPL utilizes a project prioritization process that defines the cost-effectiveness of programs and projects to ensure effective optimization of reliability investments. *PPL's methodology utilizes a \$ per CMI (customer minutes interrupted) or \$ per SAIDI minute saved metric.* PPL notes that generally any project with an investment less than or equal to \$3 per SAIDI minute saved is a good investment. PPL notes that other factors such as system performance, public and employee safety risk, and customer satisfaction also are weighed.

Such efforts to quantify the effectiveness of LTIIP investments to enhance reliability, safety, or operational expense savings should be considered "Best in Class" practices, and I commend PPL for their efforts to do so. At the same time, I encourage PPL to aggregate the reliability, safety and operational expense savings to an overall LTIIP level and, where possible, to quantify the annual goals for these measures in its Annual Asset Optimization Plans so that the overall Second LTIIP can be objectively measured from year to year, or on average over the years, recognizing that variations in the number of non-excludable [storm] events can cause year to year variability in reliability metrics.

I also want to recognize the good work of Commission Staff in the Bureau of Technical Utility Services and the Law Bureau for their research into these quantitative performance measures and for the Office of the Small Business Advocate for their thorough plan review and the valuable comments they offered regarding PPL's LTIIP petition.

DATED: December 21, 2017



Andrew G. Place, Vice Chairman