

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Rulemaking Re: Amended Reliability :  
Benchmarks and Standards for the :  
Electric Distribution Companies : Docket No. M-00991220  
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OFFICE OF CONSUMER ADVOCATE'S  
COMMENTS

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## I. INTRODUCTION

The Office of Consumer Advocate (OCA) has reviewed the Tentative Order of the Pennsylvania Public Utility Commission (Commission or PUC) regarding Amended Reliability Benchmarks and Standards for Electric Distribution Companies at Docket No. M-00991220. The OCA is in agreement with the Commission's intent to tighten the standards for performance reliability for the electric distribution companies (EDCs). Tentative Order at 1. The OCA had expressed concerns in 1999 with the Commission's regulations and standards, noting then that the potential for significant deterioration in reliability was possible under the Commission's performance standards and benchmarks. OCA Comments of March 4, 1999 at 2. The Legislative Budget and Finance Committee Report (LB&FC Report) came to the same conclusion when reviewing the Commission regulations as well as the minimum performance standards and historic benchmarks developed under those regulations. LB&FC Report at 37-37. The LB&FC Report concluded:

Based on our analysis, we conclude that the PUC's reliability and performance standards are not adequate to assure that the reliability of distribution systems does not deteriorate. Also, they do not provide a level playing field for companies reporting on their performance, and there is limited follow-up on company reporting.

LB&FC Report at 38.

The performance of the EDCs under these regulations bear out the LB&FC's concern. A review of Appendix B of the Commission's Tentative Order shows that current performance for the major EDCs on a 3-year rolling average basis has generally been worse than the current historic

benchmarks of pre-restructuring performance. The following Table summarizes the comparison for the most recent 3-year period reported by the Commission:

**TABLE 1**

**EDC Performance Compared to Current Benchmarks  
Three Year Rolling Average for 2000 - 2002**

<b>Company</b>	<b>SAIFI</b>	<b>CAIDI</b>	<b>SAIDI</b>
<b>Allegheny Power</b>	worse	worse	worse
<b>Duquesne Light</b>	worse	better	better
<b>Met-Ed</b>	worse	worse	worse
<b>Penelec</b>	worse	worse	worse
<b>Penn Power</b>	worse	worse	worse
<b>PECO</b>	better	better	better
<b>PPL</b>	worse	same	worse

**key: better - below benchmark; worse - above benchmark )**

On an annual basis the EDC's have also failed to achieve a level of reliability performance that equals the pre-restructuring level of reliability.

The Commission's Tentative Order proposes amended reliability benchmarks and standards in an effort to tighten the standards for performance reliability and move EDCs closer to pre-restructuring levels of reliability. The OCA agrees that the Commission's benchmarks and standards must be tightened to meet the requirements of the Electricity Generation Customer Choice and Competition Act (Act) that reliability be maintained at least at pre-restructuring levels. 66 Pa.C.S. §2802(3). The Commission's proposal in its Tentative Order includes amended reliability benchmarks for the historic period before restructuring (1994-1998), a revised two-tier minimum performance standard, a new reporting requirement for the worst performing circuit, clarification of

the “major event” criteria, elimination of operating area reporting, and establishment of a process for seeking a waiver of major event data. In the companion rulemaking at Docket No. L-00030161, the Commission also incorporates the two-tiered minimum standard, proposes a revised role for the performance standards where failure to achieve the various standards will trigger Commission staff involvement or enforcement action and makes other changes. The proposed rulemaking at Docket No. L-00030161 has not yet been published in the *Pennsylvania Bulletin*. Therefore, the comments on the rulemaking are not yet due. The OCA will file detailed Comments on that rulemaking setting forth its recommendations when comments are due. For the purposes of these Comments, the OCA will reference the rulemaking where necessary but will not address the rulemaking in detail.

Although the OCA agrees with the intent of the Commission’s efforts to amend its regulations and tighten its reliability benchmarks and standards, the OCA submits that the Commission’s current proposals fall short of achieving the Act’s objectives of ensuring that reliability is maintained at least at the levels in existence before restructuring. See, 66 Pa.C.S. §2802(3). Under the Commission’s recomputed historic benchmarks, the expected reliability performance for several utilities is reduced.<sup>1</sup> For example, Met-Ed, Penelec, and PPL have amended historic benchmark performance for all indices that shows worse performance in the historic period than the current benchmark. Although the *minimum* performance standards have been tightened by the Commission, the new minimum standard for one EDC, PPL, allows for performance on the CAIDI metric that is worse than PPL’s current minimum standard.<sup>2</sup> That means that PPL customers

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<sup>1</sup> In discussing the reliability indices, a higher value or number indicates that outages are longer or occurring more frequently which means that reliability is worse.

<sup>2</sup> There are some anomalies in the SAIDI minimum standard for several utilities. Specifically  
(continued...)

could, on average, experience even longer outages than under the current regulations and PPL's performance would be deemed acceptable.

More fundamentally, in its Tentative Order, the Commission establishes a two-tier minimum performance standard, using a three-year rolling average and a 12-month rolling average for comparison purposes. The Commission, however, does not require that an EDC achieve its average historic performance benchmark from pre-restructuring for either of these tiers or even over any period of time. That is, the Commission does not require the EDC to meet its historic performance benchmark for either the three-year rolling average or the 12-month rolling average. As the two-tiered approach is operationalized in the proposed regulations, the EDC's performance can always be 10% to 20% worse than the historic performance and still be considered acceptable.<sup>3</sup> Without requiring that an EDC meet or exceed its historic reliability performance, the Commission has not achieved the requirements of the Act.

The OCA submits that in establishing reliability benchmarks and standards at this time, the Commission must ensure that reliability is maintained, at a minimum, at the historic level of performance before restructuring. The Commission's amended performance benchmarks and minimum performance standards are an improvement over the current requirements, but they do not

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<sup>2</sup>(...continued)

for Duquesne, Met-Ed, and Penelec, the SAIDI minimum standard proposed allows for a longer system average outage duration than the current standard. This seems to be the result of errors in the mathematical determination of the current SAIDI minimum performance standard.

<sup>3</sup> The specific details of the two-tiered approach and the Commission's proposal for enforcement of the standards are set forth in the rulemaking docket at L-00030161. The OCA intends to address the Commission's proposals in further detail in its Comments on the rulemaking. For purposes of these comments, the OCA notes its concerns with the Commission's proposed use of the benchmarks and standards in the two-tiered approach as discussed in the Tentative Order.

achieve the reliability performance demanded by the Act. Additionally, the recomputation of the historic performance benchmark after four years of operation to now establish a lower expectation of performance for some EDCs sends the wrong message to the EDCs regarding reliability.

The OCA suggests an alternative approach below that utilizes the Commission's two-tiered structure but sets the minimum acceptable performance over the three year rolling time period at the historic, pre-restructuring performance benchmark.<sup>4</sup> Additionally, the OCA strongly urges the Commission to retain the existing historic performance benchmark for the major EDCs at this time rather than lowering expectations for certain EDCs through a recomputation of the historic data. Finally, the OCA submits that the Commission should retain the reporting requirement for MAIFI data by the EDCs and should require all EDCs to report operating area metrics as well as worst performing circuit data.

With the modifications proposed by the OCA, the OCA submits that the reliability standards of the Commission will be set at values for each critical metric that better meet the minimum requirements of the Act. The PUC's enforcement of compliance with these standards will be critical to meeting the minimum obligations of the Act. The OCA will discuss in rulemaking docket the enforcement of these minimum standards.

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<sup>4</sup> In regard to the enforcement of the standards and benchmarks, the OCA will submit its proposal for enforcing these requirements when it addresses the regulations in the rulemaking docket. For the purposes of these Comments, the OCA will discuss below its general concern that the Commission's proposed two-tier approach as operationalized will not meet the requirements of the Act.

## II. COMMENTS

### A. Introduction

The LB&FC and the July 2002 Staff Internal Working Group identified several key problems with the Commission's current reliability regulations, its benchmarks, and its minimum standards. Among the concerns identified by the LB&FC Report were that the Commission's minimum performance standards do not assure that reliability will not deteriorate below an EDC's historic performance levels, that wide variations exist among EDCs in both data collection and application of the Commission regulations to the data, and that there has been limited review or follow-up once the EDCs file the Annual Reliability Reports. LB&FC Report, p. S-5 to S-7.

The LB&FC made a number of recommendations. Most applicable to this docket, the LB&FC recommended that the Commission revise and enhance reliability performance and monitoring standards and clarify when an EDC can exclude data for major events from the underlying data used to calculate the metrics. LB&FC Report at S-13 to S-15. Other recommendations are more applicable to the rulemaking and will be addressed by the OCA in its Comments on the rulemaking.

The OCA submits that the Commission's efforts in this Tentative Order (and in the proposed rulemaking) do not fully resolve the problems identified in the LB&FC Report or in the July 2002 Staff Report with the Commission's current regulations, benchmarks and minimum standards. As to this docket, the OCA submits that the introduction of the two-tiered minimum performance standard is a step forward, but continuing to allow minimum performance that does not meet historic levels of reliability over an appropriate period of time cannot satisfy the requirements of the Act. As discussed below, the OCA submits that the two-tiered approach must be

operationalized in a manner that requires an EDC to meet or exceed its historic, pre-restructuring reliability performance at least on a three-year rolling average basis. Additionally, the variation from historic performance allowed on the 12-month rolling average basis under the two-tiered approach is too great and does not ensure that an EDC will be able to regularly meet its obligations. Finally, the OCA is concerned that the Commission appears to have dropped the reporting requirements for the MAIFI metric and has eliminated the reporting of operating area information. The OCA submits that continued reporting of this information is necessary for the Commission to adequately perform its monitoring functions.

B. The Use Of A Two-Tiered Minimum Performance Standard Is A Reasonable Approach, But The Commission's Proposal To Implement This Approach Is Flawed.

1. Introduction

In its Tentative Order, the Commission correctly notes that its current methodology for setting the minimum performance standard, *i.e.* the two standard deviation method, allowed for a significant deterioration in reliability. The LB&FC Report provided a key Table showing the percentage difference between the historic performance benchmark levels and the minimum performance standards. LB&FC Report at 46. Based on the LB&FC Report, the current minimum performance standards allowed reliability performance to deteriorate from historic, pre-restructuring levels by between 18% and 80% for CAIDI and between 27% and 63% for SAIFI for the major EDCs. LB&FC Report, Table 2, p. 46. In other words, on average for some EDCs' customers, the duration of an outage could be 80% longer than pre-restructuring levels and/or occur 63% more often but still meet the Commission's current requirements. As noted in the Commission's Tentative Order, the Commission's Internal Working Group recommended that the Commission move to a

minimum performance standard that is more closely tied to the historic, pre-restructuring benchmark with some year-to-year variability. Tentative Order at 9.

The Commission proposes to tighten its minimum performance standard through a two-tiered minimum performance system. One tier is tied to performance on a rolling 3-year average basis and the second tier is tied to the rolling 12-month performance. Under the Commission's proposal, the rolling 3-year performance can be no worse than 110% of the historic, pre-restructuring benchmark. For large EDCs, the rolling 12-month standard can be no worse than 120% of the historic benchmark and for small EDCs, no worse than 135% of the historic benchmark. Tentative Order at 9-11. The Commission encourages performance at or better than the historic levels over the long term, but does not establish this as a requirement over any time frame.

The OCA does not object to the introduction of a two-tiered system. The OCA is concerned, however, that the Commission's two-tiered system as operationalized does not achieve the requirements of the Act. Under the Commission's approach, significant deviation from historic, pre-restructuring performance is still permitted in each and every year and even as an average over a period of time. There is no requirement that an EDC achieve pre-restructuring levels of reliability. Although the amount of permissible deterioration has been reduced from the current standards, the key problem identified by the LB&FC Report--that reliability performance not deteriorate below historic, pre-restructuring levels--is not fully addressed. Although in the rulemaking the Commission notes that it will "encourage" performance at historic levels, it is not a requirement. The

Commission's proposed approach here does not ensure that reliability is maintained at least at historic levels.<sup>5</sup>

The OCA recommends that the Commission modify its two-tiered minimum standard approach to ensure compliance with the requirements of the Act. The OCA submits that to meet the requirements of the Act, the historic, pre-restructuring performance benchmark must set the minimum standard at least for the three-year rolling average performance under the Commission's approach. Additionally, the OCA submits that the Commission should clarify the purpose of the 12-month rolling average and tighten the 12-month rolling average minimum standard so that an EDCs performance does not deteriorate to an extent that makes it difficult to achieve appropriate reliability.

2. The Three-Year Rolling Average Tier Must Be Set At The Historic Pre-Restructuring Performance Benchmark Level.

The Tentative Order proposes the use of a three-year rolling average minimum standard set at 110% of the historic performance benchmark. The Commission proposes to establish the minimum performance at a level lower than the historic average before restructuring to account for annual variability in performance of an EDC due to weather and other factors. Tentative Order at 11. The other factors are not specified. The OCA submits, however, that variability in the minimum standard for this tier from the historic performance before restructuring is not necessary and is not consistent with the requirements of the Act. The minimum standard for the three year rolling average must at least be set at the historic benchmark level.

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<sup>5</sup> This discussion is also related to the Commission's proposed change to the regulations at Section 57.194. The OCA will discuss this proposed change in more detail in its Comments in the rulemaking docket. For the purposes of these Comments, the OCA will discuss the Commission's proposal to move to a two-tiered system since the Commission is establishing the standards associated with that system in this docket.

It is important to note that the historical performance benchmark is based on an average of five year's worth of data from before restructuring. The use of such an average in establishing the historic benchmark already accounts for the type of variability that the Commission is concerned with when it proposed the minimum performance standard for the three year rolling average tier. Additionally, the use of a three year rolling average will smooth out statistical variability in the current performance. The OCA submits that there is no need to lower the minimum performance standard further, particularly by 10%, to account for any statistical variability in the data.

To meet the requirements of the Act, the OCA submits that the EDCs should be obligated to perform at least at a level that meets the historical average performance benchmark before restructuring on a three year rolling average basis. Setting the minimum performance standard for the three-year rolling average tier at the historic performance benchmark level would at least ensure that long-run reliability is being maintained at least at the level before restructuring.

The approach recommended by the OCA is similar to that recommended by the Commission Staff Reliability Working Group in its July 2002 Report. Importantly, the Staff Report states:

The Commission should point out to the EDCs that it expects future reliability performance to be as good as it was during the 1994-1998 period, as indicated by the benchmark.

July 2002 Staff Report at 8. The Staff recommended that this be operationalized by requiring the three year rolling average performance to be no worse than 5% above the benchmark level, but "ideally the performance should be below the benchmark level." Id. at 8. Although the July 2002 Staff Report allows for 5% variability from the historic average performance benchmark, the OCA

recommends that the three year rolling average not allow for any variation from the historical benchmark since this is already accounted for by using the averages.

The OCA submits that the three year rolling average minimum standard should be set at the historic pre-restructuring performance benchmark. The use of averages in setting the benchmark and in the reporting of the indices should account for variability in weather and other events. If any variation from the historic performance benchmark is allowed at all on a three year rolling average basis, the OCA submits that such variation should be small. The OCA sees no basis for setting a minimum standard for a three year rolling average at more than the 105% recommended in the July 2002 Staff Report. July 2002 Staff Report at 8. If such variability is permitted, the OCA submits that the Commission must also establish a mechanism to ensure that the three-year rolling average does not gravitate to the lower minimum standard. In short, the Commission must not establish a system that permits a long term deterioration of reliability below the historical levels established in the benchmarks. The better approach is still to establish the minimum three year rolling average performance standard at the historic pre-restructuring benchmark.

3. The Purpose Of The 12-Month Rolling Average Should Be Clarified And The Minimum Standard Tightened.

a. The Commission Should Clarify The Regulatory Purpose Of The 12-Month Rolling Average By Including Language From The Staff Report.

The Commission has also proposed a second tier review based on a 12-month rolling average at a minimum standard of 120% of the benchmark for larger EDCs and 135% of the benchmark for smaller EDCs. Neither the Commission's Tentative Order nor the proposed rulemaking is clear as to the regulatory purpose of the 12-month rolling average minimum standard.

The OCA submits that the purpose should be clarified in either the Final Order in this docket or in the rulemaking.

It appears as if the Commission intends for Staff to monitor an EDC's performance using the 12-month rolling average. The July 2002 Staff Report also recommended the use of a 12-month rolling average and presented the regulatory purpose for this minimum standard as follows:

In order to ensure that performance does not deteriorate without Commission attention during the period in which the three-year average develops, we further recommend specific semi-annual monitoring of the index scores and remedial action if called for. If monitoring of the semi-annual scores (based on monthly reporting) indicates that any system-wide index score is 20% above the benchmark on a pro-rated six-month basis (e.g., January-June), the Commission should engage in remedial activities with the EDC. Remedial activities would include meeting with the EDC, reviewing data, identifying problem areas, developing improvement plans, tracking improvement plan implementation, and monitoring performance until it returns to the benchmark level.

July 2002 Staff Report at 8.

The OCA submits that the Commission should clarify the purpose of the 12-month minimum performance standard, and more clearly specify the remedial activities that should be undertaken by the Staff if an EDC does not meet the 12-month minimum standard. The OCA submits that the July 2002 Staff Report properly sets forth these requirements and should be incorporated into the Commission's final order here and reflected in the rulemaking.

b. The Variability Allowed In The 12-Month Minimum Standard Is Significant.

The Commission proposes to allow a minimum performance standard for the 12-month rolling average that is 120% of the benchmark for the large EDCs and 135% for the small EDCs. The OCA submits that performance on a 12-month rolling average basis which is 20% to

35% worse than historical performance is simply inadequate. The source of the 120% variation for the 12-month minimum performance standard for large EDCs is not explained by the Commission in its Tentative Order, but appears to be based on the July 2002 Staff Report. For the 135% variation for smaller EDCs, the Commission explained that it was providing a greater degree of short-term latitude since a single event can have a more significant impact on the reliability performance of small EDCs. Tentative Order at 10.

The OCA submits that the large variation allowed for the 12-month rolling average minimum performance standard for both large EDCs and small EDCs cannot be justified. First, the OCA notes that the July 2002 Staff Report recommends that the 12-month benchmark be set at 20% on a pro-rated, 6-month basis, rather than 20% on a 12-month basis as called for in the Commission's Tentative Order. July 2002 Staff Report at 8. Second, the 20% deviation allowed over the course of a year is significant, and could result in an EDC being unable to meet the rolling three year average minimum performance standard.

The OCA submits that the 12-month rolling average minimum performance standard must be tightened. To allow such significant variation on an annual basis results in deteriorated reliability and makes it more difficult for an EDC to reach the necessary benchmarks and standards. The OCA recommends that the minimum performance standard for the 12-month rolling average tier be set at 110% of the historic benchmark performance. Alternatively, the minimum performance standard should be no worse than that recommended in the Staff Report, *i.e.* 20% deviation on a 6-month pro-rated basis.

#### 4. Conclusion

The OCA supports the use of a two-tiered approach to better monitor reliability on

both a yearly basis and over time. The OCA recommends, however, that this two-tiered approach to setting minimum standards be operationalized in a manner that achieves the goal of the Act to maintain reliability at least at historic levels. To achieve this goal, the OCA recommends that the three year rolling average be established to require reliability at or above the historic period and that the 12-month average be used to ensure that performance does not deteriorate on an annual basis to a level that makes it unlikely that an EDC will meet the requirements of the regulations over time. In the rulemaking docket, the OCA will discuss in more detail its proposal for enforcing compliance with these requirements.

C. The Commission's Clarification Of The Application Of The Major Event Criteria Should Apply On A Prospective Basis.

Both the July 2002 Staff Report and the LB&FC Report identified the application of the Commission's "major event" criteria by EDCs to the underlying data to be a significant problem in the reporting of reliability indices. The Commission defines a "major event" as:

*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 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.

52 Pa. Code §57.192. If an EDC experiences a major event, the outage is removed from the data used to calculate the indices so that the indices reflect normal operating conditions. Upon review of the data reported to the Commission, the Staff and LB&FC Report discovered that the EDCs were applying the major event criteria in different manners to the underlying data. The different application of the criteria to the data resulted in data that was not comparable across the various EDCs and that did not give an accurate picture of an individual EDC's reliability performance under the regulations.

The major problem identified by the Commission in the Tentative Order was with the application of the criteria when an EDC used multiple operating areas to compute the metrics. As the Commission explained the problem:

Based on these definitions, an EDC that subdivided its service territory into several small geographic operating areas could exclude major events from its metric calculations based on a criterion of an interruption affecting 10% of the customers in an operating area; whereas another EDC, employing only one, service territory-wide operating area had to meet a much higher criterion of an interruption affecting 10% of the total EDC customer base.

Tentative Order at 5. Some EDCs applied the criteria so that a "major event" in one operating area would result in the exclusion of all outage data system-wide. Tentative Order at 5. The result of such application is to exclude more outage occurrences and more minutes of outage time from the metrics, thus making performance appear better than it actually was. The Commission concluded that a uniform methodology for applying the major event criteria is necessary to develop an equitable

performance standard from each EDC's benchmark and to provide a better comparison across EDCs.

Id.

The OCA agrees that, on a prospective basis, the Commission should ensure that the major event criteria are applied uniformly by the EDCs. The Commission's approach is to compute and report the reliability metrics considering the entire service territory as one operating area. Tentative Order at 6. Implementing a uniform method based on the entire service territory is the appropriate way to proceed with the reporting of the data on a going forward basis to determine compliance with the Commission's requirements. This method is consistent with the intent of the regulation to only exclude data that significantly affected or strained the resources of the entire utility system. The Commission should require that a full report on restoration efforts for each major event excluded from any reliability metric is submitted to the Commission. These outages are significantly disruptive to consumers and the Commission must examine performance related to these outages so that it can ensure that these disruptions are being properly handled.

As discussed below, however, the OCA does not support the recomputation of the historic performance benchmarks to reflect this clarification of the Commission's interpretation of the regulation regarding "major events." The retrospective application of the criteria to historic data which results in a lowered reliability expectation is not an appropriate way in which to proceed.

D. Recomputing Historic Performance Benchmarks In A Manner That Lowers Expected Reliability For Certain EDCs Is Not In The Public Interest At This Time.

The Commission also proposes a recomputation of the historic data to establish new benchmarks due to the problems with the application of the major event criteria to the underlying data by the EDCs that was discussed above. The Commission recalculated the historic performance

benchmark for each EDC using a "consistent application of the major event" criteria to the historic data of each EDC. The Commission performed this recomputation by applying the criteria on a system-wide basis to each EDC's available data from 1994-1998. Tentative Order at 5. Although other data quality issues have been identified, and not all data was available for all EDCs, the Commission does not propose to adjust the historic performance benchmarks at this time for any other data quality issues. Tentative Order at 15-16.

The results of the Commission's revisions to the historic performance benchmarks are troubling. For two small utilities, Citizens and Wellsboro, the recomputed historic benchmarks suggest that a much higher reliability was achieved from 1994-1998 than was previously calculated. Since these small companies always reported on a system-wide basis rather than an operating area basis, it is unclear why there was a change in the historic performance benchmark. For three large EDCs—PPL, Met-Ed, and Penelec—the recomputation suggests a much lower reliability was achieved in the historic period. For the remaining EDCs, the recomputed standard is the same, or about the same. Tentative Order, Appendix B, Columns C and E. A side by side comparison of the current benchmark with the recomputed benchmarks show these changes:

**Table 2**

**Changes in Performance Benchmarks with Recomputation**

		<b>Current Benchmark</b>	<b>Recomputed Benchmark</b>	<b>Difference</b>	<b>Better or Worse</b>
<b>Allegheny Power</b>	SAIFI	0.67	0.67	0.0%	same
	CAIDI	178	178	0.0%	same
	SAIDI	116	119	2.6%	worse
<b>Duquesne Light</b>	SAIFI	1.15	1.17	1.7%	worse
	CAIDI	108	108	0.0%	same
	SAIDI	123	126	2.4%	worse
<b>Met-Ed</b>	SAIFI	0.97	1.06	9.3%	worse
	CAIDI	117	127	8.5%	worse
	SAIDI	113	135	19.5%	worse
<b>Penelec</b>	SAIFI	1.07	1.15	7.5%	worse
	CAIDI	104	115	10.6%	worse
	SAIDI	108	132	22.2%	worse
<b>Penn Power</b>	SAIFI	1.01	1.02	1.0%	worse
	CAIDI	93	92	-1.1%	better
	SAIDI	95	94	-1.1%	better
<b>PECO</b>	SAIFI	1.23	1.23	0.0%	same
	CAIDI	112	112	0.0%	same
	SAIDI	138	138	0.0%	same
<b>PPL</b>	SAIFI	0.88	0.98	11.4%	worse
	CAIDI	128	145	13.3%	worse
	SAIDI	113	142	25.7%	worse
<b>UGI</b>	SAIFI	0.83	0.83	0.0%	same
	CAIDI	169	169	0.0%	same
	SAIDI	147	140	-4.8%	better
<b>Citizens</b>	SAIFI	1.29	0.2	-84.5%	better
	CAIDI	73	105	43.8%	worse
	SAIDI	73	21	-71.2%	better
<b>Pike County</b>	SAIFI	0.39	0.39	0.0%	same
	CAIDI	178	178	0.0%	same
	SAIDI	66	69	4.5%	worse
<b>Wellsboro</b>	SAIFI	2.74	1.23	-55.1%	better
	CAIDI	128	124	-3.1%	better
	SAIDI	309	153	-50.5%	better

The OCA submits that the Commission’s recalculation of the historic performance benchmarks presents significant concerns. The intent of the Commission’s proposed changes in this

docket is to develop benchmarks and standards that tighten the standards for reliability performance. Tentative Order at 1. But, the Commission reduces the expected reliability contained in the historic performance benchmark for three major utilities. A weakening of the reliability performance expectation, whether as a goal or a requirement, is not an appropriate way to proceed. The EDCs have been operating since 1999 under the current benchmark and should continue to do so.

The OCA recognizes that the Commission is trying to correct for the misapplication by certain EDCs of the "major event" criteria to the historic data. Lowering reliability expectations for those EDCs, however, is not in the best interests of Pennsylvania ratepayers, nor a proper response to the problem.<sup>6</sup>

Such an action is particularly troubling when one reviews recent consumer complaint statistics. For the GPU companies, whose reliability benchmarks have been lowered through recalculation, approximately 28% of all consumer complaints in 2002 to the Commission have concerned service interruptions. 2002 Utility Consumer Activities Report and Evaluation, p. 26. Additionally, as part of the Commission's merger order for the GPU and FirstEnergy companies, a service quality index and Reliability Committee were established to try to obtain improved reliability of service. A review of the 2002 complaint categories for all major electric utilities similarly shows that service interruptions are becoming a larger portion of the complaints filed by consumers. In 2002, service interruption complaints accounted for 16% of the complaints--the largest complaint category--with billing disputes at 15%. 2002 Utility Consumer Activities Report, p. 26. Since 1996,

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<sup>6</sup> The OCA would also note that some of the current performance benchmarks for SAIDI seem to be incorrectly calculated. It is the OCA's understanding that SAIDI is simply the mathematical product of multiplying SAIFI by CAIDI. Several of the current SAIDI benchmarks seem to have a mathematical error not related to the application of the major event criteria.

in all but one year, the percentage of complaints about service interruptions industry wide has been between 6%-9% of all complaints, and it has never been the highest complaint category until this year. See, 1996 to 2002 Utility Consumer Activities Report and Evaluation.

Lowering the Commission's expectations of reliable service by recomputing benchmarks cannot be in the public interest. The OCA submits that for the large EDCs, the current historic performance benchmarks should remain. The current historic benchmarks for PPL, Met-Ed, and Penelec are not out of line with the benchmarks of other EDCs. The difference in the recomputed SAIFI and CAIDI benchmarks from the current expectation, however, is quite large. For Met-Ed and Penelec, the reduction in performance ranges between 7.4% to 10.5% and for PPL, the reduction in performance is about 11.3% for SAIFI and 13.2% for CAIDI. There is no indication in the Tentative Order that the current historic performance benchmark results in standards that will not be reasonably achievable.<sup>7</sup>

For the two small EDCs, Citizens and Wellsboro, the recomputed benchmark sets forth performance that is far superior to that contained in the current benchmark. The difference for Citizens in the SAIFI is on the order of 84% and in the CAIDI, the difference is 43%. For Wellsboro, the difference in the SAIFI is about 55% and in the CAIDI, the difference is only about 3%. Although the OCA supports a reliability benchmark that represents equal or better performance to that of the pre-restructuring period, it is not at all clear to the OCA what is driving this very large

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<sup>7</sup> From the Commission's Tentative Order, Appendix B, it appears as if several utilities have not achieved performance on a three year rolling average that meets the Commission's new minimum standard. This result obtains for some EDCs with recomputed benchmarks that lower reliability expectations and for some that have no change in the recomputed benchmark. The lowering of expected reliability when some EDCs are unable to meet minimum standards does not address the reliability problems that are developing.

change in the historic benchmarks for Citizens and Wellsboro. Both Citizens and Wellsboro reported their data on a system-wide basis so the application of the major event criteria should not have had a significant impact on the index calculations. The OCA would urge further analysis of the underlying data to ensure that appropriate benchmarks for Citizens and Wellsboro are established.

The OCA is fully aware that it can be argued that the proposal to retain the current performance benchmarks makes comparison of current data with historic performance of the EDC more difficult. The OCA submits, however, that the goal here is adequate system reliability and the Commission should define the system reliability that it expects. As the Commission itself acknowledges, there are other data quality issues from the historic period that make it impossible to achieve a perfect calculation of any of the indices for that period or perfect comparability when comparing current data with past data. Tentative Order at 14-15. Additionally, the EDCs continue to upgrade their ability to capture the necessary data and as those techniques improve, so too will the quality of the data. Comparability of data issues is a problem that will continue to exist as data collection technology improves over time. Issues regarding the comparability of the data and whether performance is reaching expectations can be addressed in the Commission review process if the EDC is unable to meet the historic benchmarks and minimum standards set forth by the Commission.<sup>8</sup>

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<sup>8</sup> The OCA would note that the Commission suggests that a recomputation is necessary so that the performance benchmarks are "equitable" across the EDCs. Tentative Order at 5. The indices, however, contain a wide range of variability among the EDCs. The SAIFI index values for the different EDCs ranges from .20 to 1.23, a difference of 6x while the CAIDI index values vary from 92 to 178, a difference of at least two times. Under this range, a customer of one utility could experience nearly 6x the number of outages of another utility and have outage durations that last  
(continued...)

The OCA submits that while it is important to use the data as a guide, the key is to set the appropriate performance benchmark to ensure that service quality is maintained. 66 Pa.C.S. §2802(3). The Commission accepted data and established the expectations that the EDCs have been operating under for nearly four years. To now lower that expectation for certain EDCs does not seem to further the goals of the Act.

The OCA would note that maintaining the current benchmarks, and requiring performance at that level is well within the Commission's discretion. The Commission's obligation under the Act is to be sure *at a minimum* that reliability does not deteriorate below pre-restructuring levels. The Commission did not have to establish the benchmarks and standards based on an EDC's actual historic data but had to ensure that its standards and benchmarks do not allow reliability that is worse than the historic level. The Commission is well within its discretion to establish standards and benchmarks for each EDC, or for the Commonwealth, that ensure that each EDC furnish and maintain adequate, efficient, safe, and reasonable service. 66 Pa.C.S. §1501. As Section 1501 specifically provides:

Such service shall be reasonably continuous and without unreasonable interruptions or delay.

66 Pa.C.S. §1501. It is well within the Commission's discretion to establish benchmarks and standards that achieve the necessary goal of reliability. The OCA submits that the Commission has established expected performance through its benchmark values and should maintain the current

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<sup>8</sup>(...continued)

twice as long. If the Commission seeks to achieve comparability among EDCs in the long run, it may need to consider moving from a system based on each EDCs actual historic performance to a best practices approach. The benchmarks and standards, however, cannot be set at the lowest common denominator under the Act.

performance benchmarks rather than reduce expected reliability.

In summary, the OCA submits that the Commission's proposal to recompute the historic performance benchmarks for the major EDCs is a step in the wrong direction at this time. Although the OCA is aware that the Commission proposes to utilize the historic performance benchmark to establish the minimum performance standards which are now more stringent than the current standards, the historic performance benchmark should have a larger role and should clearly set the performance expectation for an EDC. Lowering expectations of reliability performance is not appropriate and is not in the public interest. At this time, retaining the current historic performance benchmarks that each EDC has strived to achieve is an important step for the Commission in ensuring that reliability is maintained at appropriate levels in the Commonwealth.<sup>9</sup>

E. Operating Area Data Should Continue To Be Reported To The Commission.

The Commission also proposes to eliminate the use of the operating area reliability metrics and replace that metric with a report of the worst performing circuits. The OCA supports the reporting of the worst performing circuits, but not as a substitute for operating area information. Highlighting the worst performing circuits will enable the Commission and the EDC to identify particular trouble circuits and begin necessary remedial action on those circuits. The worst performing circuit reports, however, are not a complete replacement for the operating area reliability metric and should not be considered as a replacement. Operating area information reflects how an EDC manages its distribution system and utilizes its resources within its system.

An operating area is a geographic area defined by the EDC for its transmission and

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<sup>9</sup> The OCA would note for that the two small EDCs, the change was so significant that further review is necessary to determine an appropriate performance benchmark.

distribution operations. Most large EDCs manage their distribution systems by segregating the service territory into these operating areas or regions. As the July 2002 Staff Report notes, for example, PECO has three regions for managing its daily operations and FE/GPU has 10 operating regions for management. July 2002 Staff Report at 13. The Staff Report noted that for internal purposes, the EDCs monitor their performance by these operating areas as well as the system as a whole. Id. One problem noted in the Staff Report was that some EDCs defined the operating areas differently for internal purposes than for Commission reporting purposes. Id.

The OCA submits that reporting of the operating area information should continue so that the Commission can also properly monitor performance within an EDC's system, can more quickly identify geographic areas of on-going problems, and can ensure that resources are properly deployed within the system. The OCA agrees with the Commission that the system-wide data would be more appropriate for use in comparing performance across EDCs and for measuring an EDC's performance over time, but reporting of the operating area information is critical to an assessment of the EDC's reliability efforts. Indeed, reliability must be protected in every area. Improving system-wide reliability at the expense of reliability in one or two operating areas is not the result that the Commission would wish to achieve. The operating area information should be used by Staff for comparing historic performance of a particular EDC in specific areas, for identifying problem areas that are in need of remedial actions, and for ensuring that overall system reliability numbers are not being achieved at the expense of an operating area.

The OCA also agrees with the July 2002 Staff Report that reporting of operating area information to the Commission should be consistent with an EDC's internal reporting. The Report stated:

The differences in internal reporting versus reporting to the Commission do not appear to be sound practices. It only makes sense that the Commission review reliability performance based on the management practices currently employed by the EDCs. This means monitoring reliability performance based on the operating areas configured by the EDCs to effectively manage their daily operations as opposed to some artificial designations that do not represent how resources or reliability programs are employed.

July 2002 Staff Report at 13.

The OCA strongly urges the Commission to adopt the July 2002 Staff Report Recommendation IV-3 and require the continued reporting of operating area reliability metrics using operating areas consistent with those used for internal operations and monitoring. The operating area information can be used to monitor an EDC's performance in various regions and to ensure that resources are properly deployed throughout the service territory.

F. MAIFI Data Should Continue To Be Reported To The Commission

The Commission's proposed approach to the performance benchmark and minimum standards requires monitoring of SAIFI, CAIDI, and SAIDI. In its original Order, the Commission required the EDCs to report MAIFI if the capability exists to obtain the MAIFI data. Order Entered December 1999, Appendix A. The reporting requirement of MAIFI appears to have been removed. The OCA submits that the MAIFI reliability index should continue to be reported to the Commission. Although the OCA recognizes that reliable historic data may not exist to develop performance benchmarks and standards for MAIFI, reporting of the current MAIFI data provides key information to the Commission about the reliability of the system and system improvements. Indeed, in today's age of sensitive electronic equipment, it is often the momentary outages that cause concerns and complaints from consumers, particularly if consumers are experiencing a large number

of momentary disruptions that affect electronic equipment. Obtaining MAIFI data will assist the Commission in evaluating the overall performance of the EDC and in recognizing potential sources of complaints.

G. Establishing A Process For Requesting A Waiver To Exclude Certain Data Should Be Adopted.

The Commission's Tentative Order establishes a process for formal requests for exclusions of service interruptions as major events. Tentative Order at 17-18. The Commission also identifies the outage data to be provided in support of any request. The OCA supports the establishment of a formal process to request the exclusion of any outage data from the reliability indices. Given the differing applications of the major event criteria, such a process would provide better assurance that a consistent application is employed. The OCA submits that the Commission should require the EDCs to serve the request for exclusion on the OCA and other interested parties in addition to filing the request at the Commission.

Additionally, the OCA recommends that the Commission require a full report on restoration efforts for major events. The Commission may wish the EDCs to include this report in their request for exclusion of a major event if it is completed. If not completed at the time a request for exclusion is filed, the Commission should require the report within a specified period of time.

### III. CONCLUSION

For the reasons set forth above, the OCA would urge the Commission to modify its proposals to further tighten the reliability benchmarks and standards. Of critical importance, the Commission should establish a requirement that an EDC meet or exceed its historic pre-restructuring benchmark performance for SAIFI, CAIDI, and SAIDI on a three-year rolling average basis. Additionally, the Commission should not lower reliability expectations through a recomputation of the historic performance benchmarks.

Respectfully submitted,

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