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Energy Association of Pennsylvania

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

April 16, 2007

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

Re: Proposed Rulemaking for Revision of 52 Pa. Code Chapter 57 Pertaining to Adding Inspection and Maintenance Standards for Electric Distribution Companies

Docket No. L-00040167

Dear Mr. McNulty:

The Energy Association of Pennsylvania (the "Energy Association") encloses the original and fifteen (15) copies of its Comments to the Commission's proposed rulemaking order to establish regulations governing Inspection and Maintenance Standards for Electric Distribution Companies.

Cordially,

Donna M.J. Clark
Vice President & General Counsel

CC: Hon. Wendell Holland, Chairman
Hon. James H. Cawley, Vice Chairman
Hon. Terrance J. Fitzpatrick
Hon. Kim Pizzingrilli
Elizabeth Barnes at ebarnes@state.pa.us (electronic format)
Blaine J. Loper at bloper@state.pa.us (electronic format)
Office of Consumer Advocate
Office of Small Business Advocate
AFL-CIO Utility Caucus
Pennsylvania Utility Contractors Association

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Proposed Rulemaking for Revision of 52 Pa. Code Chapter 57 Pertaining to Adding Inspection and Maintenance Standards for Electric Distribution Companies	:	L-00040167

COMMENTS of the ENERGY ASSOCIATION of PENNSYLVANIA to PROPOSED RULEMAKING ORDER RE: INSPECTION AND MAINTENANCE STANDARDS and COMMISSION'S TECHNICAL CONFERENCE AND COMMENTS JANUARY 22, 2007

J. Michael Love
President and CEO
E-Mail: mlove@energypa.org

Donna M. J. Clark
Vice President and General Counsel
E-Mail: dclark@energypa.org

ENERGY ASSOCIATION OF PENNSYLVANIA
800 North Third Street, Suite 301 APC Building
Harrisburg, PA 17102
Phone: (717) 901-0600
Facsimile: (717) 901-0611

Date: April 16, 2007

I. BACKGROUND

On April 21, 2006, the Pennsylvania Public Utility Commission (Commission) entered a Proposed Rulemaking Order formally commencing a process to establish regulations governing Inspection and Maintenance Standards for Electric Distribution Companies ("EDCs"). The Proposed Rulemaking Order was published in the ***Pennsylvania Bulletin*** on October 7, 2006, with comments due thirty (30) days following publication on November 6, 2006. On December 16, 2006, a notice was published in the Pennsylvania Bulletin that public comments will be accepted until April 16, 2007 on the proposed revisions to Pa. Code Chapter 57. Then on January 22, 2007, the Commission hosted a Technical Conference to receive additional input. The Commission also requested responses to certain questions via its January 19, 2007 Secretarial Letter.

The Energy Association of Pennsylvania ("EAPA" or "Association") represents the interests of the Commonwealth's PUC-regulated electric distribution companies listed below.[1] EAPA actively participated in an earlier Rulemaking Order at L-00030161 which amended the EDCs' reliability reporting requirements referenced by the Commission in the instant Proposed Rulemaking Order. EAPA previously filed comments on February 9, 2005 on behalf of its members on matters related to the Advance Notice of Proposed Rulemaking Pertaining to Adding Inspection and Maintenance Standards for the Electric Distribution Companies, Docket No. L-00040167. Reply Comments were filed by EAPA

[1] EDC members supporting these Comments include Allegheny Power, Citizens' Electric Co., Duquesne Light Co., Metropolitan Edison Co., Pennsylvania Electric Co., Pennsylvania Power Co., PECO Energy Co., Pike County Light & Power Co., PPL Electric Utilities Corporation, UGI Utilities, Inc.-Electric Division, and Wellsboro Electric Co.

to the Advanced Notice, on March 11, 2005. EAPA filed comments on November 6, 2006 related to the instant Notice of Proposed Rulemaking Pertaining to Adding Inspection and Maintenance Standards for the Electric Distribution Companies at Docket No. L-00040167. EAPA incorporates by reference its previously filed comments.

II. INTRODUCTION AND OVERVIEW OF COMMENTS

EAPA and its member companies seek language changes to the proposed regulations to allow each EDC to file a specific Inspection and Maintenance plan, thereby providing flexibility to each EDC to develop, *inter alia*, appropriate line clearance and maintenance cycles. Specifying time cycles in regulations ignores technological advances that will improve transmission and distribution system maintenance programs, rendering mandated time cycles obsolete and outdated.

Since the Commission has previously mandated reliability performance benchmarks[2] that an EDC must satisfy, a method to measure whether a particular electric distribution system is safe and reliable already exists. Additional prescriptive regulation is not necessary. The Commission has numerous opportunities to review system performance through quarterly and annual reliability reports, customer complaints, customer satisfaction surveys and individual company meetings. The Quarterly Reliability Reports provide timely information on reliability performance, apprising the Commission of ongoing EDC reliability performances. Yet another opportunity for review available to the Commission is the audit of the EDC's Operation

[2] Docket No. M-00991220 Amended Reliability Benchmarks Standards - Order Entered May 11, 2004

& Maintenance practices. Mandated management effectiveness and operating efficiency audits are conducted every five to eight years.[3] After the management audit is completed the EDCs must furnish the Commission yearly progress reports on the audit recommendations. Approximately two to four years after the management audit, the Commission conducts a management efficiency investigation at the EDC to monitor the progess of the management audit recommendations, resulting in another report reviewing the EDCs management effectiveness and operating efficiency.

The instant proposed Inspection and Maintenance Standards have been published without the input of industry expertise or the completion of a cost/benefit analysis to support such prescriptive requirements.[4] EAPA members estimate that, if the originally proposed regulations are implemented, the added expense to Pennsylvania ratepayers over and above current Inspection and Maintenance practices will exceed **$75.3 million per year** with little or no assurance of improved electric service reliability. Additional ideas proposed by the AFL-CIO and OCA for equipment, substation and vault inspections add $94.7 million more to the cost. There is no factual, legal, operational or customer service reason to inflict $170 million in annual rate increases.

By way of explanation, the initial proposal would increase the overall EDCs' operations and maintenance expenses by 6.3% without a concomitant improvement in reliability. The additional proposed inspections suggested by the AFL/CIO and OCA

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[3] See, 66 Pa.C.S.A. § 516. Required every eight years.

[4] Based on the Commission intention to develop regulations, the EAPA members agree to make a bi-annual filing of the individual company's Inspection & Maintenance programs, subject to the removal of the mandatory specific Inspection and Maintenance time cycles.

would increase this to a 14.3% increase. Moreover, if mandated in its present form, the EDCs will eventually recover their reasonable increased operating costs through increased rates. While the Commission appropriately sets the standards for electric service reliability, how an EDC maintains its system in order to achieve those standards is the responsibility of the EDC.

Each EDC is accountable to this Commission, its customers and its shareholders for meeting reliability benchmarks. This is achieved, in part, through appropriate inspection and maintenance plans which must be flexible so as to allow management to perform. Increasing every EDC's costs of operation through mandatory prescriptive Inspection and Maintenance Standards that provide no commensurate benefit to the customer is counterproductive. Rapid technological advancements, implemented by EDCs, work to accelerate the pace of cost-effective improvements to the operation and maintenance of transmission and distribution systems. New technology makes mandated time cycles obsolete and outdated.

Proponents of prescriptive regulation have offered not one scintilla of evidence to demonstrate a quantifiable benefit. EAPA asserts that when asked the ultimate cost/benefit question, namely what does the customer receive for a 14.3% rate increase, the answer will be nothing. Indeed, as discussed later, the AFL-CIO and OCA proposals arguably impact reliability negatively.

EAPA has included a red-lined version of Exhibit "A" Subchapter N – Electric Reliability Standards indicating specifically where EAPA seeks language changes to the proposed regulations.

III. OVER $75.3 MILLION IN INCREASED EXPENSE IF PRESCRIPTIVE STANDARDS ARE MANDATED

Forcing each EDC to adhere to the mandated prescriptive Inspection and Maintenance cycles as proposed is not supported by EAPA member companies. The proposed regulations result in an additional $75.3 million in annual expenses or a 6.3% increase to the EDCs' current operations and maintenance budgets. The increase would be passed on to consumers without proof of improved system reliability. This **$75.3 million**[5] estimate does not include the additional specific maintenance practices advocated by the AFL-CIO and OCA in the comments filed on November 6, 2006.

If adopted as proposed, Pennsylvania citizens will eventually pay an additional amount over and above the $75.3 million annually, in current dollars, when EDCs: (1) file for their next general rate case to recover these increased operating costs from their customers, or (2) request a rider for current recovery. The EDCs' overall operations and maintenance expense would increase 6.3%, at present day value, over present practices without an analysis demonstrating any benefit to reliability for the dollars spent. This occurs at a time when the major EDC's are scheduled to come out of generation rate caps and with corresponding pressure to minimize electric rate increases. The EDCs would note that current cost estimates do not include dollars for training the requisite workforce which will be needed to meet the prescriptive standards proposed.

[5] Dollars are shown in present day dollars and present labor costs. If the regulations are implemented two years from now, the estimate would increase. Additionally, the number of EDC workers to perform the mandated Inspection and Maintenance Standards would necessarily increase, further driving up the expense. These increases means the estimate of $75 million would be understated.

Exhibit "B" attached hereto and incorporated herein details by category the estimated additional $75.3 million in expense that will be incurred and passed on to customers if the proposed regulations are adopted.

EAPA and its member EDCs acknowledge that, in enacting the Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S.A. §§ 2801-2812, ("the Choice Act") the General Assembly sought implementation of inspection and maintenance standards through regulations. 66 Pa.C.S.A. § 2802(20). The regulation, however, need not be prescriptive and, indeed, the Commission, in large part, fulfilled this legislative policy when it established reliability indices. Rather than additional regulation which could actually hinder the use of new technology designed to improve reliability in a cost-effective manner, EAPA urges a regulatory framework requiring an annual filing of an Inspection and Maintenance Plan by each EDC. This would afford an opportunity for the industry to supplement information already supplied to the Commission with detail on current I & M plans and practices AND provide an opportunity to inform on new technology which an EDC may be planning to deploy. The Plan would meet the legislative policy objective and provide needed flexibility in a time of rapid technological advancement in the area of reliability.

IV. MANAGEMENT EXPERTISE AND DISCRETION MUST BE RECOGNIZED AND SUPPORTED

The consensus of the courts is that the Commission's authority to inject itself in the internal management of a public utility is limited. The Commission has general

administrative power and authority to supervise and regulate all public utilities pursuant to the powers and duties set forth in 66 Pa.C.S. § 501 but it is not authorized to invade the province of the Board of Directors of those public utility corporations regarding its level of labor or how it approaches the provision of service.

Absent a finding of abuse of discretion as supported by sufficient substantial evidence, the Commission has no authority to supplant the decision making responsibility of management on matters committed to their discretion. The paucity of evidence offered in this proceeding is neither sufficient nor substantial.

The approach being utilized, namely to adopt changes offered to management decision making by allowing evidence to be offered without laying any evidentiary basis for either the operational expertise of the authors or subjecting them to cross examination is procedurally flawed.

Again, it is well established that, absent legislative authority the Commission is powerless to interfere with the general management decisions of public utility companies. Swathmore Borough v. Public Service Commission 277 Pa.472, 121 A. 488 (1923).

Utility management is in the hands of the utility and the Commission may not interfere with lawful management decisions, including decisions related to the necessary and proper use of operating expenses, unless, on the basis of record evidence, it finds an abuse of the utility's managerial discretion. City of Philadelphia v. Pennsylvania Public Utility Commission, 174 Pa. Super. 641, 102 A.2d 428 (1954).

V. THE ADDITIONAL I & M STANDARDS PROPOSED BY THE AFL-CIO AND OCA SHOULD NOT BE ADOPTED

In its comments filed on November 4, 2007, the AFL-CIO proposed additional inspection and maintenance requirements for various inspections such as substations. AFL-CIO comments at p.4. These requirements go well beyond the Commission proposed regulations. In addition, the OCA requested in comments filed on November 6, 2007 still more inspection requirements. OCA comments at pp. 7-8. EAPA and its member companies strongly object to the AFL-CIO/OCA inspection requirements because they would simply cause an additional increase in O & M expense without any improvement in reliability.

A. Substation Transformers supplying transmission lines – The industry opposes an annual intrusive inspection of transformers, particularly transmission transformers. An intrusive inspection would require that the transformer be opened and the oil removed or lowered, requiring a complete vacuum processing of the transformer. For example, two employees working 13-hour shifts for five to seven days would be necessary to complete the task. More importantly, the industry is aware that more can be learned about the internal condition of the transformer by doing the usual semi-annual Dissolved-Gas-in-Oil (DGA) tests. The DGA will reveal a problem long before visible indications of the problem manifest. In 99% of the cases, any problem will be inside the winding of the transformer and not visible unless the core and coil assembly is removed and disassembled. Opening a transformer significantly increases the risk of contaminating the core and coil assembly which will eventually cause failure. The industry performs semi-annual DGA tests on all EHV (345KV voltage will vary

between companies) transformers and annual DGA tests on all other large power (138KV - voltage will vary between companies) transformers. The proposed inspection is costly, unnecessary and could decrease the life of the equipment.

The intrusive testing will likely create extensive transmission congestion charges as critical assets must be removed from service to satisfy this proposal. These congestion costs could amount to several millions of dollars because the EDCs cannot schedule this activity without impacting the transmission system.

As an example, when a 345kV transformer failed in Erie, PA in 2003, the congestion charges associated with this failure were $300,000 per day. Another example is described in the study completed by PJM regarding the loss of a 500kV transformer. The study showed that the combined congestion costs associated with potential failure and extended time of restoration for 15 transformers were $118M annually. Due to the magnitude of transformers impacted by this proposal, and the scheduling constraints that require this work to be done throughout the year, these costs would be difficult to avoid.

B. Substation Transformers supplying distribution lines - The same comments apply to the transformers supplying distribution lines as were stated above. Small power transformers (23KV and below- voltage may vary between companies) have a DGA test performed once every three years. In addition, all Load Tap Changer (LTC) equipped transformers have an oil sample taken from the LTC compartment. This oil sample is sent to oil testing lab for analysis of tap changer condition.

Many distribution substations are in-service without the capacity redundancy necessary to remove a station transformer from service without significant preparatory work, up to and including adding additional substation station transformers or bringing in mobile substations to provide for the needed transformer outages. The capital costs of this infrastructure improvement were not included in the annual cost of substation transformer maintenance.

An overlooked fact pertinent to all these recommendations is the detrimental affect on customer service reliability. When equipment is taken out of service to perform the proposed inspections and maintenance, the net result is a less reliable system during the inspection and maintenance of equipment. The bottom line is that equipment must remain in service to benefit customers.

Outdoor substations are included in the EDCs' existing infrared program performed on all overhead lines. Repairs are handled on a case by case basis but any overheated condition that is 50 C or higher is inspected As-Soon-As-Possible. The actual time is dependant upon system conditions and the availability of manpower dealing with outages and current construction schedules. Transmission equipment outages require the approval of PJM. The 30 day requirement for transmission equipment is not realistic based on PJM scheduling, as PJM generally requires more than 30 days notice to take transmission facilities out of service. The 60 day requirement may not be practical if the condition is found during peak load conditions. PJM is very reluctant to allow transmission facilities to be out of service for routine maintenance during peak summer months, i.e. June-August. If a routine infrared

program is in place and being followed, it would be hard if not unlikely for a 100 C condition to occur. Even a biannual or triennial program will identify problems before they reach that stage.

The member companies have every incentive to maintain reliability within the benchmarks. The Commission can be assured that no company would delay fixing a problem if an identified problem will possibly impact reliability indices. The Commission need not and should not intrude into management discretion. The EDCs maintain the distribution and transmission systems in a manner which is cost effective, efficient and provides reliable service.

As stated earlier in the Association's November 6, 2006 comments, "mandating inflexible, proscriptive time-based inspection and maintenance practices discourages the EDCs from integrating new technologies into their respective organizations because the mandates close the door on EDCs harvesting a payback in the form of reduced operating costs. EDCs should be permitted to develop targeted, specific, maintenance programs using the latest technologies that have cost-effective result for improving reliability." See, EAPA Comments at p. 27 – (Docket Nos. L-00040167 and M-00061957 filed on November 6, 2006)

If the additional OCA and AFL-CIO maintenance programs were implemented, EAPA members estimate another $94.7 million would be required in addition to the $75.3 million already estimated to implement the proposed regulations. No plausible interpretation of the Choice Act would support a conclusion that the Commission should impose a $170 million rate increase without quantifiable benefits to the consumers or

that the Commission should impose regulations which do not consider future technological advance. See Exhibit "C" attached hereto and incorporated by reference.

VI. THE PROPOSALS IGNORE FERC JURISDICTION – BULK ELECTRIC SYSTEM 100 kV OR HIGHER

Since the initiation of this docket, the Federal Energy Regulatory Commission (FERC) has asserted its jurisdiction over the bulk power electric system. FERC Order issued on March 16, 2007 clarified the agency's intent to impose the Nation Electric Reliability Council (NERC) definition of bulk electric system.[6] Further, the NERC registration process is to provide as much certainty as possible regarding the applicability to and the responsibility of specific entities to comply with the Reliability Standards in the start-up phase of a mandatory Reliability Standard regime. FERC also confirmed in its statements in the NOPR that the Bulk-Power System reaches farther than those facilities that are included in NERC's definition of bulk electric system.[7] The states can participate with NERC on further development of NERC Reliability Standards. FERC recently adopted NERC "Reliability Standards", effective January 1, 2007. Before further action of this Commission in the form of prescriptive regulation, the NERC "Reliability Standards" should be fully implemented so as to determine whether they effectively manage the reliability of the bulk electric systems.

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[6] As defined by the Regional Reliability Organization, the electrical generation resources, transmission lines interconnections with neighboring system and associated equipment, generally operated at voltages of 100 kV or higher. Radial transmission facilities serving only load with one transmission source are generally not included in this definition. FERC Order Issued March 16, 2007, 18 CFR Part 40

[7] See, NOPR at P 66. For these same reasons, FERC rejects the position of those commentators that suggest the statutory definition of Bulk-Power System is more limited than the NERC definition of bulk electric system.

This portion of the bulk electric system is clearly now under FERC jurisdiction and FERC will impose inspection and maintenance standards on the system as defined. In other words, circuits defined by the RTO as operating at 100 kV or higher will not fall under the Commission's proposed regulations. This intervening change in federal policy must be recognized in this docket.

The OCA in its comments to the Technical conference stated that "the August 2003 Blackout caused in part from inadequate vegetation management had an economic cost of between $4 billion and $10 billion in United States alone". See, OCA comments at p. 3. However, since this incident was caused by the bulk electric system which now falls under FERC jurisdiction, the mandatory maintenance cycles proposed will not be applicable and are unnecessary.

EAPA and its members companies believe that a reliable electric distribution system can be maintained by providing the individual EDCs flexibility to determine the maintenance time cycles. The Commission should only require the filing of individual company Inspection and Maintenance plans. The Commission then has the ability to order more stringent maintenance time cycles if the companies are not meeting their own plans or falling short of the established reliability indices.

VII. MANDATORY PENALTIES PROPOSED BY OCA and AFL-CIO SHOULD NOT BE ADOPTED

The Commission did not propose mandatory penalties related to non-compliance with minimum inspection and maintenance standards. The EAPA and member companies agree with the Commission that it is not necessary to impose penalties

through regulation because each case must consider all circumstances and the Commission has the authority to impose additional requirements upon an EDC for failures related to reliability.

In its Comments, filed on November 6, 2006, the OCA asks the Commission to consider mandatory penalties for failure to comply with repair time frames. See, OCA comments at p. 12. The AFL-CIO also requested automatic penalties for failure to repair within stated periods of time. See, AFL-CIO comments at p. 5. Putting aside the obvious due process deficiencies, the use of automatic penalties is simply unfair. As events such as Hurricane Katrina and September 11 demonstrate, there are uncontrollable factors that impact reliability through interruption of service in the supply of distribution system parts, substation replacement parts, and the like. Major catastrophes can interrupt the supply of necessary parts by impacting where parts are manufactured or the ability to transport the necessary parts via railroad or competing demands for limited critical inventory. Therefore, emergency events outside the control of Pennsylvania EDC's should be reason enough for elimination of any consideration of automatic penalties.

VIII. QUARTERLY RELIBILITY REPORTS

The Commission's current quarterly reliability reports filed by the member companies do provide sufficient information to keep the Commission and staff fully informed of the service reliability for each company.

The rolling twelve month reliability indices are provided each quarter on SAIFI, CAIDI, SAIDI and (if available MAIFI) which are the prime indicators on meeting the reliability benchmarks. Storm information is also provided along with specific remedial efforts taken for the worst performing 5% of the circuits identified. A rolling twelve month breakdown and analysis of outages caused during the proceeding quarter is also provided: including the number and the percentage of service outages, the number of customers interrupted, and customer interruption minutes categorized by outage. This latter measurement includes information as to the outage cause such as equipment failure, animal contact, vegetation, etc.

In addition, proposed solutions are identified for the service problems reported. The quarterly and year to date information are provided on the progress toward meeting transmission and distribution inspection and maintenance goals and objectives. Quarterly and year to date information on budgeted versus actual transmission and distribution operation and maintenance expenditures in total and detailed by account. In addition similar reporting is done on the transmission and distribution capital expenditures. Staffing levels are also discussed in the quarterly reporting. The smaller member companies file the reliability indices on quarterly basis but not the detail of the other information.

This reliability information filed by the member companies clearly provides the Commission with necessary information to track the progress of reliability, and meet its statutory duties.

IX. TRAINED WORKFORCE IS NOT AVAILABLE TO ENABLE COMPANIES TO COMPLY WITH THE PROPOSALS OFFERED IN THIS DOCKET

The EDCs have steadfastly maintained that emerging new technology is vastly superior to an endeavor which would embrace labor intensive practices. The possibility exists that the Commission will ignore industry concerns and embrace those offered by staff, the AFL-CIO and the OCA. In response, there are two serious obstacles to an endorsement of labor intensive suggestions.

First and foremost, there is an absence of trained staff and workforce to comply with these proposals. As the Association stated in its original November 6, 2006 comments, NERC has found that the skilled and experienced technical talent necessary for the electric industry does not exist in the United States. Association Comments at page 8, citing NERC 2006 Long Term Reliability Assessment p.26. As a consequence, the EDCs could not comply for at least four to five years; i.e. the time necessary to train a competent workforce.

Second the costs of hiring, training and paying a group of workers, has not been figured into the cost estimates provided. Assuming an initial outlay of $15 million dollars annually the labor intensive practices promoted are even more egregious in terms of the inevitable impact on rates. Regulations that cannot be complied with and which significantly raise the cost of electricity are simply not in the public interest.

Further, managing the budget planning process for EDC system improvement and system upgrades, including the allocation of financial resources, starts at least six months in advance of the budget year. Accordingly, even if the Commission were to

adopt prescriptive regulations, EDCs would need considerable time to allocate resources prior to the effective date.

We would note that no party has hastened to dispute claims that the proposed requisite workforce does not exist or that labor intensive costs will increase rates. The Commission has encouraged the industry to mitigate price increases as rate caps expire. The Association welcomes the Commission's assistance in reaching that goal by rejecting the proposed prescriptive standards.

X. CONCLUSION

The proposed Regulations' prescriptive standards add significant annual costs as demonstrated by the charts included as exhibits with these comments. The annual increase is as follows:

1. Original proposed regulations $75.3 million
2. Additional AFL-CIO and OCA proposals $94.7 million
3. Hiring and training workforce $15 million
4. Congestion costs equal millions of additional dollars.

In other words, a $185 million or 15.5% annual rate increase not including added congestion costs. The Association suggests that the legislature did not envision increased rates when it enacted the Choice Act. The question of whether reliability will be improved with these prescriptive standards must be asked. The answer is no demonstrated improvement in overall reliability.

The EAPA and its member companies believe the prescriptive rules will lead to increased cost and further exacerbate a trained workers shortage. The timing of budget preparation and labor issues relating to the training of competent work force would make it extremely difficult for the Pennsylvania EDCs to comply with the proposed regulations within a year of adoption.

Moreover, FERC has asserted jurisdiction over transmission lines of 100 kV and higher and NERC has designed the "Reliability Standards" for bulk electric systems. EAPA urges the Commission to permit the national "Reliability Standards" to fully function before imposing additional regulatory mandates.

The EAPA strongly recommends that the proposed regulations be modified so as to remove all of the mandated Inspection and Maintenance time cycles and eliminate automatic rejection of plans that do not have mandated time cycles. The key distinction is to permit each EDC to establish its own Inspection and Maintenance plan and recognize the uniqueness of each electric delivery system. EAPA member EDCs request that the Commission accept the filing of the present individual EDCs Inspection and Maintenance Plans and hold the EDCs accountable to said plans. The major companies would, of course, continue to provide quarterly update on progress inspection and maintenance plans which would comply with the requirements of the Electricity Generation Customer Choice and Competition Act. 66 Pa.C.S.A. § 2802(20). The Commission should adopt the revised proposed regulations in Exhibit "A".

Finally, the PUC proposed regulations, if adopted, promote an active intrusion by the Commission into the manner in which EDCs operate facilities. The general rule is

that utility management lies in the hands of the utility. The Commission may not interfere with lawful management decisions to employ new technology rather than use outdated manual inspections. Decisions on whether operating expenses are necessary and proper need to be supported in a recovery context and the Commission should not replace its discretion for that of company management unless reliability indices are substantially impacted. No such evidence is contained within this docket's record.

Respectfully submitted,

J. Michael Love
President & CEO

Donna M. J. Clark, Esquire
Vice President and General Counsel

EXHIBIT A

TITLE 52. PUBLIC UTILITIES
Part 1. PUBLIC UTILITY COMMISSION
Subpart C. FIXED SERVICE UTILITIES
CHAPTER 57. ELECTRIC SERVICE

Subchapter N. ELECTRIC RELIABILITY STANDARDS

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§57.192. Definitions.

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

* * * * *

~~*Rural area* — A rural place designated by the United States Bureau of Census as having a population of less than 5,000 and whose boundaries have been approved by the Secretary of the United States, Department of Transportation.~~

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~~*Urban area* — An urbanized area or an urban place designated by the United States Bureau of Census as having a population of 5,000 or more and whose boundaries have been approved by the Secretary of the United States, Department of Transportation.~~

* * * * *

§57.198. Inspection and maintenance standards.

(a) An EDC shall have a plan for the periodic inspection and maintenance of distribution system poles, overhead conductors and cables, wires, transformers, switching devices, protective devices, regulators, capacitors, substations and other facilities critical to maintaining an acceptable level of reliability, in a format the Commission prescribes. The Commission will review each plan and may issue orders to ensure compliance with this section. The Commission may require an EDC to submit an updated plan at any time containing information the Commission may prescribe.

(1) The plan shall be based on industry codes, national electric industry practices, manufacturers' recommendations, sound engineering judgment and past experience. ~~The plan shall be divided into rural and urban areas.~~

The plan shall take into account the broad ~~minimum~~ inspection and maintenance practices ~~intervals~~ provided for in subsection (e).

(2) An EDC shall reduce the risk of future service interruptions by accounting for the ~~age,~~ condition, design and performance of system components and by providing adequate resources to maintain, repair, replace and upgrade the system.

(3) The plan shall include a program for the maintenance ~~of~~of ~~minimum~~ clearances of vegetation from the EDC's overhead ~~transmission~~ and distribution facilities sufficient to avoid contact ~~under design based conditions~~. The plan shall include a program for the trimming of tree branches and limbs located in close proximity to overhead electric wires when the branches and limbs may cause damage to the electric wires ~~regardless of whether the trees in question are on or off of a right of way~~.

(4) The plan, or updates to the plan, shall form the basis of, and be consistent with, the EDC's inspection and maintenance goals and objectives included in subsequent annual and quarterly reliability reports filed with the Commission.

(b) On or before October 1, 2007, and every 2 years thereafter, an EDC shall submit its whole plan for the following calendar year to the Commission for review.

(1) Within 90 days, the Commission ~~or its designee~~ will accept or reject the plan.

(2) Absent action by the Commission ~~or its designee~~ to reject the plan within 90 days of the plan's submission to the Commission, or by January 1, whichever is later, the plan shall be deemed accepted. ~~The acceptance shall be conditioned upon the EDC meeting Commission established reliability performance standards.~~

(3) If the plan is rejected, in whole or in part, by the Commission ~~or its designee~~, the EDC shall be notified of the plan's deficiencies and directed to resubmit a revised plan, or pertinent parts of the plan, addressing the identified deficiencies, or submit an explanation why the EDC believes its plan is not deficient.

(c) An EDC may request approval from the Commission for revising an approved plan. An EDC shall submit to the Commission, as an addendum to its quarterly reliability report, prospective and past revisions to its plan and a discussion of the reasons for the revisions.

(1)**Within 90 days, the Commission ~~or its designee~~ will accept or reject the revisions to the plan.**

(2) Absent action by the Commission to reject the revisions to the plan within 90 days of their submission to the Commission, the revisions to the plan shall be deemed accepted.

(d) An EDC shall maintain records of its inspection and maintenance activities sufficient to demonstrate compliance with its ~~transmission and~~ distribution facilities inspection, maintenance, repair and replacement programs as required by subsection (e) for a period of two (2) years. The records shall be made available to the Commission upon request within 30 days.

(e) An EDC shall maintain the following types of ~~minimum~~ inspection and maintenance plans ~~intervals~~:

(1) Vegetation management. ~~The statewide minimum inspection and treatment cycles for vegetation management are 4 years for distribution facilities and 5 years for transmission facilities.~~

(2) Pole inspections. ~~Distribution poles shall be visually inspection practiceed every 10 years.~~

(3) Overhead line inspections. ~~**Transmission lines shall be inspected aerially twice per year in the spring and fall. Transmission lines shall be inspected on foot every 2 years.** Distribution lines shall be inspected by foot patrol a minimum of once per year. If problems are found that affect the integrity of the circuits, they shall be repaired or replaced no later than 30 days from discovery. Overhead distribution transformers shall be visually inspected annually as part of the distribution line inspection. Above ground pad mounted transformers and below ground transformers shall be inspected on a 2 year cycle. Reclosers shall be inspected and tested at least once per year.~~

(4) Substation inspections. ~~Substation equipment, structures and hardware shall be inspected monthly.~~

EXHIBIT B

Estimated Annual Costs to EAPA Member Utilities

For Implementation of PA PUC-Proposed Rulemaking on Inspection and Maintenance Standards

Subject	PUC Proposal	Estimated Annual Cost	Category Totals
MAINTENANCE ITEMS			
1) Vegetation Management	Distribution Cycle of 4 Years	**$22,795,000**	**$30,995,000**
	Minimum Allowed Clearance between vegetation and transmission and distribution lines	**$6,800,000**	
	Transmission Cycle of 5 Years	**$1,400,000**	
2) Pole Inspections	Poles inspected every 10 years	**$3,837,000**	**$3,837,000**
3) Overhead Line Inspection	Underground transformers inspected every two years	**$3,303,000**	**$3,303,000**
	Reclosers inspected and tested every year	**$13,905,000**	**$13,905,000**
	Transmission Lines inspected aerially twice per year (spring and fall)	**$670,000**	**$18,315,000**
	Transmission Lines inspected on foot every 2 years	**$2,623,000**	
	Distribution Lines inspected on foot every year	**$12,052,000**	
	All problems found during inspections fixed within 30 days - DISTRIBUTION	**$100,000**	
	All problems found during inspections fixed within 30 days - TRANSMISSION	**$200,000**	
	Overhead transformers visually inspected annually as part of circuit inspection	**$2,670,000**	
	Pad-mount transformers inspected every 2 years	**$1,550,000**	**$1,550,000**
4) Substation Inspections	Substation equipment, structures, hardware inspected monthly	**$3,300,000**	**$3,300,000**
MISCELLANEOUS ITEMS			
Plan Submission	EDC's submit a proposed comprehensive plan every 2 years; PUC must approve or reject plan; EDC must rewrite plan if rejected.	**$5,000**	**$145,000**
	EDC's must submit separate plans for Urban areas vs. Rural areas as defined by US Bureau of Census	**$140,000**	
TOTAL ESTIMATED ANNUAL COST OF PROPOSED I&M STANDARDS		**$75,350,000**	**$75,350,000**

EXHIBIT C

EAPA MEMBER COMPANIES'

COST ESTIMATES FOR COMPLYING WITH AFL-CIO & OCA SUGGESTED ADDITIONAL I & M REQUIREMENTS

AFL-CIO Suggested I & M Requirements	Estimated Annual Cost
Group-operated ine switches to be inspected and tested annually	**$11,912,500**
Relays to be inspected and tested every two years	**$7,757,000**
Sectionalisers to be inspected and tested every two years	**$790,000**
Vacuum swicthes to be inspected and tested every two years	**$900,000**
Underground vaults with larger connections (750 Mcm or larger) tobe visually inspected and thermo-vision tested for hot spots annually.	**$3,379,000**
Vaults of any size that serve schools, hospitals, public buildings , or residences to be visually inspected and cleaned once per year.	**$7,200,000**
Substation inspections. Substation equipment, structures and hardware shall be inspected monthly. Substation circuit breakers shall undergo operational testing at least once per year, diagnostic testing at least once every four years, and comprehensive inspection and maintenance on a four-year cycle.	**$14,200,000**
SUBTOTAL AFL-CIO	**$46,138,500**
OCA's Suggested I & M Requirements	**Category Totals**
Transmission and distribution substations: Annual detailed inspections that include inspection by infrared scanning. A component discovered through infrared scan to be more than 100 degrees centigrade above ambient temperature should be addressed within 30 days	**$9,588,303**
Substation transformers supplying transmission lines: Annual intrusive inspection. Deficiencies identified should be repaired or addressed within 30 days.	**$4,581,000**
Substation transformers supplying distribution lines: Intrusive inspection every two years that includes bushing testing, dissolved gas analysis and other testing. Deficiencies identified should be repaired or addressed within 60 days.	**$19,165,000**
Transmission Lines and all attached equipment: Annual detailed inspection that includes visual inspection and infrared scanning. A component identified through infrared scan to be more than 100 degrees centigrade above ambient temperature should be addressed within 30 days.	**$6,846,350**
Distribution Line and all attached equipment (transformers, switching/protective devices, reclosers, regulators/capacitors): Patrol inspection once every two years and a detailed inspection once every five years. A component discovered through infrared scan to be more than 100 degrees centigrade ambient temperature should be addressed within 30 days.	**$7,856,000**
Wood Poles: Detailed inspection once every ten years with an intrusive inspection of those poles identified as having potential problems through the detailed inspection. Poles with major deficiencies that considerably affect the strength of the pole should be replaced within 60 days.	**$484,000**
SUBTOTAL OCA	***$48,520,653***
TOTAL AFL-CIO AND OCA	**$94,659,153**