2571

MWN

McNees Wallace & Nurick LLC

attorneys at law

COPY

CHARIS MINCAVAGE
DIRECT DIAL: (717) 237-5437
E-MAIL ADDRESS: CMINCAVAGE@MWN.COM

November 6, 2006

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
The Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA HAND DELIVERY

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 Secretary McNulty:

On April 21, 2006, the Pennsylvania Public Utility Commission ("PUC" or "Commission") entered a Proposed Rulemaking Order formally commencing its rulemaking process to establish regulations governing Inspection and Maintenance ("I&M") standards for Electric Distribution Companies ("EDCs"). The Proposed Rulemaking Order was published in the Pennsylvania Bulletin on October 7, 2006, with comments due thirty days thereafter (i.e., November 6, 2006). In order to address concerns regarding the Proposed Rulemaking Order, the following entities respectfully submit this Letter in Lieu of Comments: Duquesne Industrial Intervenors ("DII"); Met-Ed Industrial Users Group ("MEIUG"); Philadelphia Area Industrial Energy Users Group ("PAIEUG"); Penelec Industrial Customer Alliance ("PICA"); PP&L Industrial Customer Alliance ("PPLICA"); and the West Penn Power Industrial Intervenors ("WPPII") (collectively, "IECPA, et al.").

IECPA, et al., is comprised of ad hoc groups of large commercial, institutional, and industrial customers receiving electric service from various EDCs throughout Pennsylvania. Because members of IECPA, et al., use large amounts of electricity in their various production processes and operations, any changes to the electricity rates paid by these customers can significantly affect their overall costs of operation. IECPA, et al., submits this Letter in order to address member concerns that the costs of implementing the regulatory requirements set forth in the Proposed Rulemaking Order may significantly and substantively outweigh the benefits, if any, resulting from these proposed I&M standards. For that reason, IECPA, et al., urges the Commission to refrain from implementing any mandatory I&M requirements unless and until a cost/benefit test is performed.

Specifically, IECPA, et al., agrees with the concerns raised by the Energy Association of Pennsylvania ("EAPA") that, if the proposed regulations are implemented, the added expense to ratepayers over and above current I&M program practices will exceed $75 million per year on a statewide basis with little or no assurance of improved electric service reliability. Reliability is certainly important to large customers; however, IECPA, et al., is apprehensive that the regulations proposed by the Commission will significantly increase customers' rates without providing corresponding improvements in reliability.[1] Only after the PUC has determined that the costs of applying these regulations to EDCs will be equal to or less than the benefits that will be received by customers upon implementation can the Commission ensure that the regulations are reasonable. Absent such a cost/benefit analysis, no compelling reason exists to impose additional regulations on EDCs while simultaneously increasing customers' rates.

Accordingly, IECPA, et al., encourages the Commission to consider these concerns and directs the Commission to EAPA's Comments in this proceeding, which more fully discuss these issues. Most importantly, IECPA, et al., respectfully requests that the Commission, prior to implementing such regulations, perform a cost/benefit analysis to ensure that ratepayers would truly benefit from this Proposed Rulemaking.

If you have any questions or require any additional information, please contact the undersigned. We request ask that you date stamp the extra copy of this letter and return it to our messenger for our files. Thank you.

Respectfully submitted,

MCNEES WALLACE & NURICK LLC

By Charis Mincavage

David M. Kleppinger
Derrick Price Williamson
Charis Mincavage

Counsel to Duquesne Industrial Intervenors, Met-Ed Industrial Users Group, Philadelphia Area Industrial Energy Users Group, Penelec Industrial Customer Alliance, PP&L Industrial Customer Alliance, and the West Penn Power Industrial Intervenors

CM/lhe

c: Elizabeth Barnes, Esq., Law Bureau (via E-mail)
Mr. Blaine Loper, Bureau of Conservation (via Hand Delivery)

---

[1] Moreover, such an increase in rates, without accompanying benefits, will only compound the problems faced by customers as EDCs' rate caps continue to expire through 2010.