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November 6, 2006

UGI Utilities, Inc.  
460 North Gulph Road  
King of Prussia, PA 19406

Post Office Box 858  
Valley Forge, PA 19482-0858

(610) 337-1000 Telephone  
(610) 992-3259 Fax

**VIA EXPRESS MAIL**

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

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**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

**COPY**

**Re: Proposed Rulemaking for Revision of 52 Pa. Code Chapter 57  
pertaining to adding Inspection and Maintenance Standards for the  
Electric Distribution Companies, Docket No. L-00040167**

Dear Secretary McNulty:

Enclosed for filing, please find an original and fifteen (15) copies of the  
Comments of UGI Utilities, Inc. – Electric Division. An electronic version of these  
comments has also been provided to Elizabeth Barnes, Assistant Counsel, at  
[ebarnes@state.pa.us](mailto:ebarnes@state.pa.us).

Should you have any questions concerning this filing, please feel free to contact  
me.

Very truly yours,

Mark C. Morrow

Counsel for UGI Utilities, Inc. –  
Electric Division

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INDEPENDENT REGULATORY  
REVIEW COMMISSION

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Proposed Rulemaking for Revision :  
of 52 Pa. Code Chapter 57 :  
pertaining to adding Inspection and :  
Maintenance Standards for the : Docket No. L-00040167  
Electric Distribution Companies :

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COMMENTS OF UGI UTILITIES, INC. –  
ELECTRIC DIVISION

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**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

UGI Utilities, Inc. – Electric Division (“UGI”) appreciates this opportunity to submit comments in response to the above-captioned proposed rulemaking order. UGI previously submitted Comments on February 9, 2005 and Reply Comments on March 11, 2005 in response to the Commission’s Advance Notice of Proposed Rulemaking at this docket, and would urge the Commission to consider those comments again as it establishes its policy in this area. UGI has also joined with other Pennsylvania Electric Distribution Companies (“EDC”) in crafting the comments of the Energy Association of Pennsylvania at this docket, and fully supports those comments. In addition, UGI submits the following brief supplementary comments.

**THE COMMISSION NEEDS TO  
CAREFULLY CONSIDER THE COSTS  
AND BENEFITS OF ITS PROPOSED  
REGULATIONS**

At a time of rising concern about cost increases electric customers in the Commonwealth shall incur as statutory rate caps expire, and given the focus of many of

the Commonwealth's public policies on fostering economic development and enhancing the competitiveness of Pennsylvania's business climate, the Commission needs to carefully consider whether the considerable costs its proposed regulations will cause EDCs and their customers to incur is truly outweighed by the anticipated benefits of the prescriptive measures the proposed regulations would establish. While ensuring the reliability of electric supplies is an important and legitimate goal of public policy, it is one which the Commission's recently adopted electric reliability regulations has already addressed, and those regulations should be given a chance to work. In this regard, UGI would note that the quarterly reports UGI has filed pursuant to those reliability regulations has shown that UGI's electric distribution operations has been performing at a level in excess of the standards and benchmarks established by these regulations, and while extreme weather conditions or other uncontrollable events could cause UGI to miss those standards or benchmarks at some time in the future, the proposed prescriptive inspection and maintenance standards would not necessarily have any impact on ensuring reliable electric operations in the event such extreme conditions occur.

As EAP has noted in its comments, if all of the proposed regulations are ultimately adopted by this Commission, Commonwealth EDC Transmission and Distribution Operation and Maintenance expenses would increase approximately \$75 million annually. UGI's share of this annual expense increase would be approximately \$2 million. To put this number in perspective, this compliance cost would increase UGI's current Transmission and Distribution Operation and Maintenance expenses by approximately twenty-five percent (25%), and if UGI were to seek cost recovery of this

sum, it would cause UGI's transmission and distribution rates to increase by slightly more than six percent (6%).<sup>1</sup>

Conversely, there is little evidence that the proposed prescriptive standards will bring any real benefit to the Commonwealth or UGI's customers. Approximately two years ago, the Commission implemented new reliability standards each EDC must meet. These new standards are reported quarterly and annually in slightly different forms. Each EDC has a company specific benchmark and standard for three system reliability metrics (SAIFI, SAIDI and CAIDI). When these rules were been promulgated, the Commission indicated they would allow it to better monitor system reliability and take corrective action more quickly than before. Under the reliability rules, once an EDC's metrics begin to deteriorate and exceed the benchmark, the Commission will begin to work with the EDC to improve system reliability. Should the reliability metrics continue to be poor, the Commission has the authority to order an EDC to develop and implement a plan to improve system reliability. Should reliability still fail to improve, the Commission ultimately has the authority to levy penalties. UGI submits these regulations provide the Commission with sufficient tools to both monitor and improve, where required, system reliability within the Commonwealth. Forcing the electric industry to incur massive additional costs to comply with prescriptive regulations for no meaningful improvement in system reliability, and when the Commission already has the authority and tools to ensure system reliability, is simply counter productive. UGI submits that it is particularly

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<sup>1</sup> UGI and certain other EDCs in Pennsylvania are not currently subject to transmission and distribution rate caps, and others will be exiting out from under such rate caps at the same time generation rate caps will be expiring., thereby potentially exposing customers to both generation and transmission and distribution rate increases at the same time.

unconscionable to impose such significant costs on well functioning utilities such as UGI, and, ultimately, UGI's customers.

**SHOULD THE COMMISSION DECIDE  
TO PROCEED WITH INSPECTION  
AND MAINTENANCE REGULATIONS,  
REPORTING SHOULD BE SUBSTITUTED FOR  
PRESCRIPTIVE STANDARDS**

UGI fails to see any value stemming from the very proscriptive nature of the proposed regulations. The Commission has already set electric reliability standards and benchmarks through its reliability regulations, and has the tools to enforce those standards and benchmarks. The means of accomplishing these goals are best determined by the engineers and other professionals who maintain and run electric distribution systems on a day-to-day basis, and should not be dictated through prescriptive regulations that cannot be easily changed in response to new technologies or standards. Therefore, should the Commission decide to proceed with the proposed regulations, UGI urges the Commission to consider withdrawing the time-specific inspection and maintenance requirements and instead require the submission of a bi-annual Inspection and Maintenance plan. This would enable the Commission to monitor the means by which EDCs are ensuring their compliance with the Commission's established electric reliability benchmarks and standards, without necessarily requiring EDCs operating in a

satisfactory fashion to incur unnecessary costs.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark C. Morrow". The signature is fluid and cursive, with the first name "Mark" being more prominent and the last name "Morrow" following in a similar style.

Mark C. Morrow

Counsel for UGI Utilities, Inc. –  
Electric Division

Dated: November 6, 2006