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Senate Democratic Policy Committee

Hearing on
Electricity Outages, Reliability, and Preparedness

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Testimony of

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Good morning Chairman Boscola, Senator Santarsiero, and members of the Senate Democratic Policy Committee. I am Terry Fitzpatrick, President and CEO of the Energy Association of Pennsylvania ("EAP" or "Association"), a trade association comprised of electric and natural gas utilities—also known as electric and natural gas distribution companies—operating in Pennsylvania. EAP advocates for its members before the General Assembly and state agencies, assists its members by facilitating sharing of information and best practices, and provides educational opportunities for employees of its members and others through its operations and consumer services conferences. Thank you for this opportunity to provide testimony on behalf of our electric utility members[1] regarding electricity outages, reliability, and preparedness.

It may be helpful at the outset to describe briefly my personal experience with this issue. As a lawyer just out of law school in the PUC Law Bureau in the early 1980's, one of the first things I learned was that public utilities have a statutory duty to provide "adequate, efficient, safe, and reasonable service," and that service "shall also be reasonably continuous and without unreasonable delays."[2] In the 1990's as a member of the staff here in the Senate, I was involved in drafting the Electricity Competition Act, which contained provisions designed to ensure that utilities continued to provide reasonable service after the industry was restructured.[3] In the early 2000's, I had the privilege to serve as a Commissioner and Chairman of the PUC and I was involved in developing policies and regulations to ensure reliable service, including standards for inspection and maintenance plans. And finally, these issues have taken much of my attention in my current role with the Energy Association.

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[1] Citizens' Electric Company; Duquesne Light Company; Metropolitan Edison Company; PECO Energy Company; Pennsylvania Electric Company; Pennsylvania Power Company; Pike County Light & Power Company; PPL Electric Utilities; UGI Utilities Inc.; Wellsboro Electric Company; and West Penn Power Company.

[2] 66 Pa.C.S. Sec. 1501.

[3] 66 Pa.C.S. Sec. 2804 (1).

As noted above, section 1501 of the Public Utility Code governs the "Character of service and facilities" of a public utility. It is not a coincidence that variants of the word "reasonable" appear four different times in this brief section. This reflects the reality that the standard for a utility's service cannot be expressed in absolutes. In other words, the standard does not demand perfection. This standard of reasonableness assumes that utilities will make prudent investments in infrastructure necessary for reliable service, but it does not demand that utilities make unlimited expenditures because of the impact this would have on rates. As the Commission explained in adopting regulations to preserve reliability:

> It is also important to note the long-standing concept of "reasonable service" under traditional utility regulation. Reasonable service always has balanced consumer demands and industry standards. Reliability performance standards must be consistent with this concept of reasonable service. Reasonable service for all consumers, considering the cost of providing such service, is the goal. Perfect service for all consumers, regardless of the cost, has never been the goal, and it cannot be now.[4]

The Electricity Competition Act contained provisions designed to assure that the quality of service provided by electric utilities did not deteriorate following the restructuring of the electric industry. This Act also specifically called for the PUC to adopt standards for the inspection and maintenance of electric distribution infrastructure[5], and the PUC implemented this by promulgating regulations requiring electric utilities to file inspection and maintenance (I&M) plans.[6] These statutory requirements addressed fears that in a restructured industry, where the generation and supply functions were competitive, utilities might prefer to invest in competitive ventures and neglect their distribution infrastructure.

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[4] *Final Rulemaking Order to Amend 52 Pa. Code Chapter 57 to Ensure Electric Service Reliability,* Pa. PUC Dkt. No. L-0097120, 1998 WL 456726 (Order entered April 23, 1998).

[5] 66 Pa.C.S. Sec.2802 (20) ("[T]he commission shall set through regulations, inspection, maintenance, repair and replacement standards and enforce these standards.")

[6] 52 Pa.Code Sec. 57.198

The actual experience following restructuring put these fears to rest. Utilities either sold their generating plants to third parties or transferred ownership to affiliates, freeing utilities to focus on their core, regulated responsibility to provide reliable transmission and distribution service. In fact, electric utilities advocated policy reforms to bolster investment in this infrastructure, and pro-actively supported Act 11 of 2012. This legislation authorized utilities to seek approval of distribution system improvement charges ("DSICs"), which would allow recovery of infrastructure investments between rate cases. The Act also authorized utilities to use a fully projected future test year in rate cases, which results in rates that reflect a more realistic assessment of the utilities' infrastructure spending. Both of these reforms increased the incentive to invest in infrastructure by reducing "regulatory lag"—the gap in time between when a utility would incur costs to improve infrastructure and when it would begin to recoup those costs from customers.

Act 11 required utilities that secured approval of DSICs to file long term infrastructure improvement plans ("LTIIPs") for PUC approval. At this point, all of the major electric utilities have implemented DSICs and secured approval of LTIIPs.

Utilities have also focused on maintaining their infrastructure by making prudent investments to trim trees—including trees on and off the right-of-way. Electric utilities have obtained PUC approval of their I&M plans which establish intervals for inspection and maintenance of facilities and must be designed to reduce the risk of outages. EAP supports this industry effort by providing opportunities for utility personnel to share best practices at EAP's electric operations conferences and committee meetings.

Despite this electric industry focus on prudent infrastructure investments, adhering to industry standards, and sharing best practices, the increasing frequency and severity of storms has presented a challenge. In recent years there has been a correlation between outages and the number of major storms. Utilities cannot be held responsible for the weather, but they do recognize the necessity of planning for a future that apparently will include more frequent and

severe storms. Utilities have addressed this by taking steps such as consulting with climatologists and making prudent investments in infrastructure, for example, sturdier utility poles and recloser technology that limits the scope of outages.

Electric utilities have taken additional steps in recent years to respond more effectively to outages and to keep customers informed of the status of restoration. The widespread deployment of "smart meter" technology has given utilities the ability to determine the scope of outages by "pinging" these meters remotely instead of relying on customers to notify the utility that they have lost service. Utilities have also enhanced their use of communications tools and social media to keep customers informed, and have worked to improve the accuracy of estimated times of restoration provided to customers.

Two other aspects of utility storm response warrant mention. When utilities receive forecasts of major storms that may impact their service areas, they invoke mutual aid agreements with utilities from other regions to provide assistance in restoring service. (Conversely, utilities in Pennsylvania reciprocate and provide this aid in other regions when they are impacted by storms.) Some utilities in Pennsylvania also have access to personnel from affiliated utilities in the Commonwealth or other states to assist with storm restoration.

When utilities restore service following a storm, they invoke industry standards to set priorities in this restoration. Critical infrastructure facilities such as hospitals, police stations, and wastewater treatment plants receive top priority. Additional efforts then prioritize repairs that will restore service to the greatest number of customers most quickly. Utilities make every effort to restore every customer as quickly as possible.

Thank you for this opportunity to testify and I look forward to your questions.