

Department of Legislative Services
Maryland General Assembly
2011 Session

FISCAL AND POLICY NOTE

House Bill 1171
Economic Matters

(Delegate Davis)

Electric Companies - Electrical Service Restoration Plan

This bill requires each electric company to submit, by July 1 of each year, an electrical service restoration plan to the Public Service Commission (PSC) to establish priorities for the restoration of electrical service in the event of an extended disruption to electrical service. The plan must address the preservation of health and safety and the priority of restoration of electrical service to (1) critical facilities; (2) individuals who are elderly or disabled; (3) individuals who rely on electrically powered medical equipment; (4) minimize economic harm within the electric company's service territory; and (5) restore the maximum amount of electrical service in the shortest amount of time. PSC must review each electric company's service restoration plan and approve the plan or require the electric company to make changes. PSC must issue final approval of an electric company's plan by December 1 of each year. PSC must use all appropriate powers and authority to enforce the bill's provisions.

The bill takes effect June 1, 2011.

Fiscal Summary

State Effect: None. Electric companies currently have electric restoration plans on file with PSC and these plans are regularly reviewed by PSC. Thus, reviewing annual plans submitted in accordance with the bill's requirements can be handled with existing resources.

Local Effect: None.

Small Business Effect: Minimal.

Analysis

Current Law: A public service company must furnish equipment, service, and facilities that are safe, adequate, just, reasonable, economical, and efficient, considering the conservation of natural resources and the quality of the environment.

Each electric company is required to maintain reliability of its distribution system in accordance with applicable orders, tariffs, and regulations of PSC. The Maryland Code of Regulations (COMAR 20.50.07.05) requires each utility to avoid interruptions of service. If interruptions occur, service must be reestablished within the shortest time practicable, consistent with safety. Under COMAR, each utility must report to PSC (1) the onset of a storm; (2) a sustained interruption initiated by the utility in response to unacceptable system voltages; and (3) a sustained interruption initiated by the utility in response to thermal overloads of an electric plant. In a report to PSC, each utility must include a general description of areas experiencing the service interruption and the expected system restoration times, if available, and provide regular updates.

Background: In January 2011 PSC initiated an administrative docket (RM 43) to consider revisions to regulations governing the service supplied by electric companies. The proposed regulations modify electric company service and reliability standards for service interruption, downed wire repair, service quality, vegetation management, annual reliability reporting, and the availability of penalties for failure to meet the standards. PSC will conduct a rulemaking session to consider whether to publish the proposed revisions to COMAR in March 2011.

Several violent thunderstorms hit the Pepco service territory on July 25, August 5, and August 12, 2010, causing power outages to 297,000, 75,000, and 98,000 customers, respectively. PSC received many complaints about the outages, including the failure of Pepco's automated communication system during the outages. Due to the frequency, number, and duration of the power outages and the apparent breakdown of adequate communication by Pepco to its customers during the outages, PSC initiated an investigation (Case No. 9240) into the reliability of Pepco's substations and infrastructure in extreme weather situations, the quality of distribution service Pepco provides its customers, and Pepco's storm preparedness efforts.

In response to PSC, Pepco filed a major storm report; emergency response, reliability enhancement, and storm restoration plans; an internal residential customer satisfaction survey relating to electric system reliability; a report indicating costs for reliability distribution system activities; a report relating to the effectiveness of tree wire in preventing or mitigating outages; a report indicating procedures for determining and disseminating estimated times of restoration to customers and communicating with customers during outage situations; a report indicating measures taken to remediate and

prevent the reliability, restoration, and communication problems that occurred; and a report indicating standards used in providing customer service and assuring reliability in connection with restoration and communication during outage events.

A report by the independent consultant selected to review reliability of Pepco's electric distribution system, including a survey of best practices from electric companies in other states and a compilation of standards used by other utility commissions to measure distribution system reliability, was filed with PSC on March 2, 2011. The consultant's report identifies the root causes of Pepco's reliability problems and critiques the most recent set of initiatives it has suggested to address them. The report found that Pepco's system infrastructure was generally well designed, although the sub-transmission and distribution systems are particularly vulnerable to tree damage, in part due to the fact they are primarily placed along public streets. This vulnerability was magnified by Pepco's failure to meet its annual tree trimming goals. The report stated that Pepco's physical restoration efforts in the storms of 2010 were reasonably good, with the exception of Pepco's damage assessments and problems with communication both within the company and externally. Generally, the findings from this investigation state that Pepco needs to be more proactive, rather than reactive, in dealing with problems. As an evidentiary proceeding, PSC set a procedural schedule that requires the filing of testimony in May 2011 and hearings in June 2011.

On January 26, 2011, a winter storm resulted in a significant interruption of service to a sufficient number of customers in the BGE and Pepco service territories thus classifying the event as a "major storm." Pursuant to COMAR, each utility is required to file a written report to PSC within three weeks of the end of the storm. PSC initiated Case Number 9256 in response to the service interruption and on Thursday, March 3, 2011, PSC conducted a legislative-style hearing to review the reports and better understand the utilities' performance and a repeat of Pepco's communication system failure, and to understand why large numbers of customers were out of service for a significant period of time, far exceeding 24 hours.

BGE and Pepco each submitted a Major Storm Report to PSC showing each company's response to the January 2011 major storm. The reports detailed storm preparedness and mobilization, system damage and restoration, improvements to-date, reliability enhancement plan progress, lessons learned, and future plans.

Exhibit 1 shows System Average Interruption Frequency Index (SAIFI) and System Average Interruption Duration Index (SAIDI) results from each major electric utility in the State. These indices are commonly used as a reliability indicator by electric companies. SAIFI is the average number of interruptions that a customer experiences in a year, while SAIDI is the average outage duration for each customer served (in hours).

Exhibit 1
Average Reliability Results
2005-2009 Average

<u>Distribution Territory</u>	<u>SAIFI</u>	<u>SAIDI</u>
Allegheny	1.09	3.28
BGE	1.49	4.09
Choptank	2.16	3.94
Delmarva	2.23	5.73
Pepco	2.14	5.70
SMECO	1.15	2.57

Source: Public Service Commission

Additional Information

Prior Introductions: None.

Cross File: SB 749 (Senators Manno and Mathias) - Finance.

Information Source(s): Office of the People's Counsel, Public Service Commission,
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