



# Monitoring and Enforcement: Rules and Regulations

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# Overview



- Legal Obligations
- Level of Service
- Status of Electric Utility Industry in Pennsylvania
- Consumer Protection
- Monitoring: Science or Art?
- Summary and Conclusions



# Legal Obligations



- Every public utility shall furnish and maintain adequate, efficient, safe, and reasonable service and facilities
- Tariffs are not mere contracts but have force of law and are binding on consumer and utility
- The State Legislature has vested the PUC with exclusive jurisdiction over reasonableness, adequacy and sufficiency of public utility services



# Level of Service Expected



- Cannot discriminate in providing service
- Standards for service and facilities
- Approved policy and rules for discontinuance of service
- Testing of meters and other equipment of measurement
- Procedures for handling and reporting accidents
- Procedures for billing and collection
- Rules for penalties when violating terms of tariffs



# Electric Distribution



- Restructuring of the electric utility industry
- PUC no longer has jurisdiction over the generation of power
- PUC jurisdiction only over electric distribution companies (EDCs)



# Electric Transmission



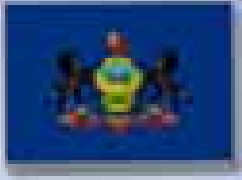
- Transmission is a federal matter – FERC
- Regional transmission organization (PJM) does not own any transmission assets
- Transmission wires still owned by the electric companies in the state, or in some cases multi-state companies



# Monitoring by the PUC



- What are we monitoring?
- Why are we monitoring?
- Is monitoring an exact science?
- What are the parameters?
- How do we monitor?
- What resources do we use?
- Do we meet expectations?

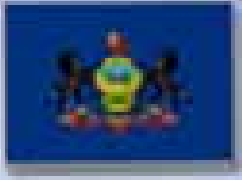


# What are we monitoring?



- Adequate service
- Efficient service
- Safe service
- Reasonable service
- Proper use of approved tariffs
- Non-discrimination in providing service





# Why are we monitoring?

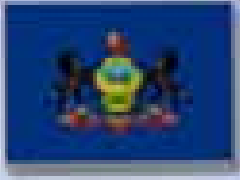


- By law, exclusive jurisdiction
- Ensure service and facilities
- Approved discontinuance of service
- Correct consumption data for billing and collection
- Meter testing
- Procedures for accidents
- Appropriate penalties for violations



# Is monitoring an exact science?

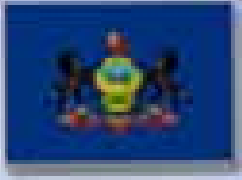
- Dealing with too many variables
  - Within EDC territory
  - Within state, region, country
  - Most important, all customers are not identical



# What are the parameters?



- EDCs and suppliers under jurisdictions
- Approved rules and regulations
- Quality of service standards
- Appropriate procurement process
- Terms and conditions in tariffs
- Other factors such as price and supply conditions
- Type of data: confidential or public?



# How do we monitor?

- Staff observes market conditions regularly
- Each bureau has different part of monitoring function
- Staff reports to the Commissioners on a regular and as-needed basis
- Technical analyses followed by recommended legal actions



# Monitoring assignments



- Review of daily and future electricity prices
- Monitor natural gas pipeline activity
- Designated staff members to receive confidential data
- Regular discussions current and relevant energy issues with staff from other states
- Maintain historical database of energy markets
- Monitor utility websites regularly



# Market Monitoring Report



- Average Electric Wholesale Prices at Major Hubs
- NYMEX prices
- PJM Daily and Monthly Capacity Market
- Proposed Generation Summary
- Generation Air Permit applications
- Power Plant Outages
- Quarterly Average Retail Price comparisons for state, region, and country



# Market Monitoring Report



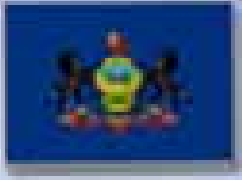
- Electric Customer activity
- Coal spot prices
- Wholesale Natural Gas, Crude Oil, Propane, and Fuel Oil prices
- Natural Gas Storage & Futures
- Natural Gas Customer Activity
- EIA Natural Gas and Crude Oil Short Term Forecast
- Gulf of Mexico storm recovery



# Filings and Reports

- Quarterly financial statements are filed by companies
- Annual Rate Comparison Report
  - all rate elements from all gas and electric companies
  - assembled into the report for the PUC and the State Legislature
- Annual reports, compliance tariffs, quarterly revenues, utility operations, supplier bonding monitored and forwarded to Law Bureau for prosecution when deficiencies occur or violations detected





# Sample Report 1



## **BUREAU OF FIXED UTILITY SERVICES REPORT ON THE QUARTERLY EARNINGS OF JURISDICTIONAL UTILITIES FOR THE PERIOD ENDED MARCH 31, 2005**

- *[see PAPUC\_Sample\_Report\_1]*



# Contents in Sample Report 1



- Summary of Equity Returns
- Summary of Returns
- Definitions and Explanations
- Summary of Company Adjustments
- Allowed Rates of Return on Common Equity
- Market Based Returns on Equity
- Formulas Used in DCF Calculations
- Formulas Used in CAPM Calculations
- Formula Used in Risk Premium Calculations
- Secretarial Letter to All Parties of Record



# Sample Report 2

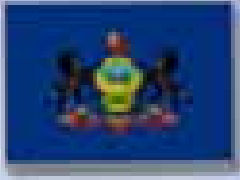
## MANAGEMENT EFFICIENCY INVESTIGATION EVALUATING THE IMPLEMENTATION OF SELECTED RECOMMENDATIONS FROM THE OCTOBER 2001 FOCUSED MANAGEMENT AND OPERATIONS AUDIT

Prepared By The  
Pennsylvania Public Utility Commission  
Bureau Of Audits

Issued August 2005

Docket No. D-04MEI020

- *[see PAPUC\_Sample\_Report\_2]*



# Contents in Sample Report 2



- INTRODUCTION
- SUMMARY OF MANAGEMENT EFFECTIVENESS AND OPERATING EFFICIENCY
- EXECUTIVE MANAGEMENT
- CUSTOMER SERVICES
- MANAGEMENT INFORMATION SERVICES
- MATERIALS MANAGEMENT
- DIVERSITY
- AFFILIATE RELATIONS
- CORPORATE GOVERNANCE
- ACKNOWLEDGEMENTS



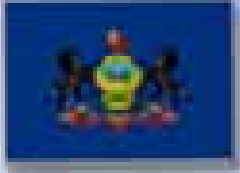
# Sample Report 3



## Utility's Response to Sample Report 2

# **IMPLEMENTATION PLAN IN RESPONSE TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION MANAGEMENT EFFICIENCY INVESTIGATION**

- *[see PAPUC\_Sample\_Report\_3]*



# Contents in Sample Report 3



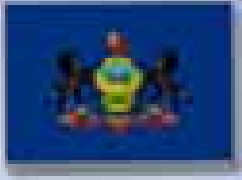
- Follow-up Recommendation Number
- Staff's Follow-up Finding And Conclusion
- Staff's Follow-up Recommendation
- Recommendation Status
- Implementation Status
- Implementation Date
- Action
- Responsible Person (in the utility)



# Do we meet expectations?



- We believe we meet the expectations of our statutory obligations
- Human resources are the most important part of the agency
- Information technology needs are based on expectations, budgets, available expertise
- **Transparency in the regulatory process is one of the most important aspects**



# Summary & Conclusions



- Major issues: customer protection and market monitoring
- Data needs should reflect legal mandates
- Technology should not dictate what can be accomplished
- Coordination among other agencies
- Recognize that each state/country is affected by actions outside its borders