

# REGULATORY AND MARKET MONITORING

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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

# BUREAU OF FIXED UTILITY SERVICES

## REPORT ON THE QUARTERLY EARNINGS OF JURISDICTIONAL UTILITIES

- 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

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

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

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

- 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