

Regulatory Assistance Project Electric Resource Long-range Planning Survey
Compiled by CM LB

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Policies

1. *Is any form of long-range electrical resource and/or investment planning required?*
 Yes No

There is a resource planning process done by utilities that provides information to the Commission and other parties. The basic process originated in 1972 in response to the Northeast blackout of 1965. In 1999, when Pennsylvania restructured, the process was revised, and certain elements were removed, including those relating directly to energy supply. Currently, the plans include forecasts of energy demand, peak load, and number of customers; generation capability (if those costs are being recovered under a transition charge); qualifying facilities; independent power producers; supply imports and exports; transmission line projections; and conservation and load management.

Transmission planning is done at the regional level, with little involvement by the Commission. There is a requirement that companies get Commission permission to construct transmission lines over 100 kV, but this is a separate process.

There is little Commission oversight for default service procurement; planning procurement for these resources is up to the utilities. However, Pennsylvania has a new law, called the Alternative Energy Portfolio Standards Act. The law applies to anyone who is providing energy to customers in PA -- for default customers, this would mean distribution utilities, but generation suppliers must also comply. The Act requires energy providers to purchase "alternative energy credits" equal to a percentage of their total resource portfolio. The percentage of these resources increases over a 15-year period. (For more information about the Alternative Energy Portfolio Standards Act, see Question 39.)

2. *If yes, what planning processes are going on*

Resource planning

3. *Please describe Resource Planning.*

Annual Resource Planning Reports are filed by May 1st of each year. Dockets are opened to keep track of the filing, but there is no formal intervenor process. Plans are not approved or disapproved. The plans are used to provide information to the Commission. The Commission reviews the reports and prepares an annual statewide report to the Governor and the General Assembly by September 1st of each year.

4. *Is it statewide or utility-specific planning? What types of entities are required to participate?*

The process is utility-specific, and only investor-owned distribution utilities are required to file.

5. *Is there any relationship between this process and other decisions, e.g. construction permits, likelihood of inclusion or pre-approval of rate treatment for the anticipated resource investments?*

There is no relationship between these processes anymore.

6. *This form of planning has been required since what date?*

The original planning was required in 1972. The current version was revised in 1999 when PA restructured.

7. *How is this process enforced, if at all? If a utility does something inconsistent with the Plan, does it have to explain itself satisfactorily to avoid a charge of imprudence? Is it routine for utilities to diverge from a Plan with an explanation? Are there any consequences for non-compliance?*

The only enforcement is in making sure that the required information is filed. There are no consequences for divergence from a plan.

8. *Is anything similar required for non-electric natural gas-related planning?*

Yes No

If yes, what is that process called?

3-year Resource Planning.

Required Elements

9. *Back to Annual Resource Planning (the electric resource process). Which of the following resources must be explicitly evaluated/included:*

Generation

- Transmission
Distribution
Energy efficiency
Load Management
Other demand side measures
Specific generation (e.g. renewable, distributed)

Others:

Generation isn't mentioned directly. Most IOUs are completely divested from generation, but some have a sister company or subsidiary. Plants are listed in the resource plans if costs are recovered in a transition charge, or if the company still owns the plants (or a portion thereof). Transmission forecasts are required, giving a 5 year projection of any changes. Distribution reliability is a concern, but there is no planning involved, just a requirement that short-term (the next year or two) activities should be reported. Demand response has been addressed, but no action has been taken to date. Renewable resources are not addressed here, although there is a new alternative energy portfolio standard which can include renewable resources.

What tests must be included/utilized?

Cost-benefit analysis used to be performed for energy efficiency and load management programs, but this is no longer a requirement. The utilities aren't doing as much DSM as they used to, although the Commission is looking more at demand response and net metering.

10. Describe the analysis required by the regulatory body (what is compared to what to make decisions? How are resources compared to each other? Cost with one set of resources vs another, economic, environmental?)

None required.

11. Does the process investigate how the employment of one strategy vs. another may increase the consumers' exposure to risk (e.g. natural gas prices)? If so, how?

No

12. Is a comparison of supply or T&D infrastructure and demand side options/resources required? Yes No

This might be done on a regional basis, but it is not done as part of this process.

13. The plan's objectives, from the regulatory perspective:

The original objective was to prevent another blackout. In 1965, when the blackout occurred, installed reserves were 9%. After state commissions' responded to the blackout, reserves were increased to 21% by 1972. Basically, the utilities have maintained about 20% reserves over the past 30 years; that percentage is declining

and the PJM reserve requirement is currently about 15%. Reliability and adequacy are still a concern; the commission requires electric generation suppliers to operate and maintain generating facilities in conformity with the operating policies, criteria, requirements and standards of NERC and the appropriate regional reliability councils, including the maintenance of appropriate generating reserve capacity. One of the objectives of the current process is information sharing.

14. *The plan's objectives, from the utility perspective:*

Satisfy regulatory requirements.

15. *Are alternative scenarios analyzed as part of the plan?* Yes No
(Prompts if needed: fuel costs, economy, technology shifts, weather)

Varying load forecasts are not done anymore.

Are externalities considered? If so, which ones and how are they considered?

These issues are not addressed in the current process. However, any entity that desires to build new generation must consider issues such as fuel costs, fuel availability, emissions restrictions, cost of capital, etc.

16. *What is the planning horizon?* 5 years

Length of Energy and Demand forecasts? 5 years

Length of Short-term Action Plan? None

17. *How often do utilities have to file plans? Update plans? What actually happens?*

Plans are filed yearly.

18. *What monitoring or other processes are used to determine consistency of investments with plans? Are there consequences for non-compliance?*

There is no monitoring process.

19. *Are environmental issues considered in the planning process?* Yes No
If yes, please describe.

Environmental issues are considered in the siting and construction of transmission projects (concerns about health, people living near lines, etc.)

20. *Is reduction or elimination of carbon emissions an issue? If so, how is it dealt with?*

The Commission is concerned about that, but doesn't have any direct impact on emissions. With SOx and NOx emissions, there is a concern about having to shut down power plants and reduce reliability if upgrades are done to decrease emissions.

Agency Process

21. *Is there a formal acceptance and/or acknowledgement process used for the resource filing?* Yes No

The Commission acknowledges the plans.

22. *Does the agency hold public hearings on draft/final utility plans?* Yes No

If not, describe what does happen.

There is no public comment period or intervenor input process.

If yes, what is the duration of the public hearing process?

23. *Other ways the public participates and comments on plans are:*
(Prompts if needed: email or mailing lists, interactive web sites)

None currently.

24. *What action can the Commission take on the plan(s)?*

Review it

Accept it

Approve it

Reject it

Acknowledge it

Require utility to modify and resubmit it

Other: The Commission could take other actions on the plans, but it is unclear to what extent this might happen.

25. *Have resource acquisition decisions changed as a result of the planning process?*
 Yes No Not Sure

26. *Are competitive processes used to acquire new resources?* Yes No

Pennsylvania used to have a competitive bidding process, but it isn't currently used. For default service, procurement is determined by the utilities. A proposed regulation would require a default service provider to procure electric energy through a competitive procurement process approved by the Commission, except for hourly priced service and supply procured through RTO or ISO administered energy markets.

27. *If yes, do you require regulatory review and approval of the competitive solicitations used?*

See response to question 26.

28. *Do utilities file an energy efficiency or DSM plan?* Yes No

If so, is it separate or integrated with other plans?

DSM plans were formerly filed every year, but this is no longer required.

29. *Is competitive bidding used to acquire EE resources?* Yes No

The utility might do that, but it is not required.

30. *Does the regulatory agency have open dockets, or is it considering opening a docket investigating any long-range electrical investments?* Yes No

31. *Citation and description:*

32. *Are utility plans available on-line?* Yes No

If so, what is the address?

Individual utility plans are unavailable, but the Commission's summary report to the Governor is available online at www.puc.state.pa.us/general/publications_reports/pdf/epo_2005.pdf

Is on-line publication voluntary or mandatory?

Voluntary

33. *Citation and description of State policies (legislation, rules/regs, PUC orders) governing this planning process:*

The relevant statutes can be found at www.pacode.com/secure/data/052/chapter57/subchaplto.html (PA Code Chapter 57, subchapter 1, sections 141-154)

34. *Do you anticipate any changes to this process in the near future?* Yes No

If yes, please describe.

35. *Have there been any recent settlements or orders in rate cases or other dockets that may affect resource procurement or investment incentives?* Yes No

36. *Does your state do performance-based regulation?* Yes No
If so, please describe briefly.

Not yet, although this might happen in the future.

37. *If your state uses PBR, is successful compliance with an approved resource plan one of the areas subject to incentives or penalties?* Yes No

Are there any regulatory incentives specifically for energy efficiency, other DSM, or renewables? (Examples: lost revenue recovery, shared savings, bonus rate of return)
 Yes No

If so, please describe briefly.

Reasonable and prudently incurred costs associated with the development, management, and operation of a cost effective alternative to energy supply shall be afforded rate treatment at least on a par with any other supply option. Subject to Commission approval, electric utilities may request recovery of costs of energy supply alternatives by methods such as treating them as normal operating expenses, amortizing them over several years, capitalizing them for inclusion in rate base, or any combination thereof.

38. *Do any tariffs include a fuel/purchased power clause?* Yes No
If so, how does it work?

39. *Does your state have any renewable mandates (e.g. from a legislated standard or goal, or a regulatory settlement or Order)?* Yes No

If so, please describe, including how the mandate relates to power vs. RECs.

Alternative energy credits, equal to a certain percentage of electricity sold or distributed, must be generated or purchased by all distribution utilities and energy suppliers. For 2005, the percentage is just under 5%, rising to 18% by 2020. Of this, a certain percentage must be comprised of "Tier I" resources, which include solar, wind, geothermal, and biomass sources. The remainder of the required credits can be from more diverse sources, including DSM, distributed generation, waste coal, and IGCC plants. In early October 2005 the Commission issued a final order for standards

for participation for DSM resources that clarified how to determine energy and demand savings from these sources.

Credits may be either generated or purchased and retired.

Can EE or DSM savings be credited toward a utility's renewable mandate?

Yes.

State Energy Plan

40. *Is there a State Energy Plan?* Yes No
41. *Is it connected to the planning described above?* Yes No

42. *If yes, who is responsible for the Plan?*

43. *What is included in the Plan, apropos of long-range electrical planning?*