

FRAMEWORK FOR QUALITY OF SERVICE REGULATION AND EFFECTS OF COMPETITION ON SERVICE QUALITY

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Broad Legal Powers

- Every public utility shall furnish and maintain adequate, efficient, safe, and reasonable service and facilities . . . [and] shall be reasonably continuous and without unreasonable interruptions and delay. (Pa.C.S.A. §1501)

Broad Legal Powers

- Service rules and regulations adopted by public utilities relating to rates are . . . ***tariffs*** [which] filed with state regulatory agencies . . . are not mere contracts but have force of law [and] ***are binding on consumer and utility.***
(Emphases added; from several court decisions in Pennsylvania)

Broad Legal Powers

- Public utility commission has been vested by legislature with ***exclusive . . . jurisdiction*** over reasonableness, adequacy and sufficiency of public utility services. (Emphases added; from several court decisions in Pennsylvania)

Level of Service Expected

- Cannot discriminate in providing service
- Standards for service and facilities
- Policy and rules for discontinuance of service
- Testing of meters and other equipment of measurement

Level of Service Expected

- Procedures for handling and reporting accidents
- Procedures for billing and collection
- Rules for penalties when violating terms of tariffs

Extent of Commission's Involvement

- Should the commission be involved in the day-to-day operations of the utility?
- Should the commission be involved in the management of the utility?
- How should the commission be involved in ensuring appropriate service by the utility?

Management Auditing

- Possible negative consumer reaction and adverse media coverage
- Limited feedback on utility's productivity
- Need to determine effectiveness of utility's operations
- Investigative process: demand for efficiency and regular & objective reviews

Management and Operations Audit as a Tool

- To examine, analyze, and appraise the efficiency and effectiveness of the public utility's overall performance
- Commission initiates a focused management and operations audit
- Provides higher level of credibility
- Instills public confidence

Steps in an Audit Process

- Identify needs
- Identify goals, objectives, etc.
- Conduct audit (with staff and/or consultants)
- Review report and request response from utility
- Agree on implementation of recommendations
- Monitor and evaluate results

Examples of Areas For Review

- Corporate Governance
- Cost Allocations
- Customer Service
- Generation
- Transmission
- Distribution
- Other Mandated or Voluntary Programs

Relationship Between Service Quality and Rates

- Increase in service or safety may result in increase in costs for utility.
- Commission policies and actions in regulating rates directly affect the quality of service provided by the utility.
- Commission may consider keeping track of utility customers complaints by categories such as service, tariff, billing, safety, etc.
- Commission could then use that data to adjust service quality standards on a regular basis.
- Stakeholder input is critical in regulating utilities.