



June 2012

PMEA e-News

About PMEA

PMEA is the trade association representing the Boroughs in Pennsylvania which own and operate electric distribution systems. These Boroughs provide reliable, low-cost electric service to all citizens and businesses within their geographic territories.

Message from the President

I am pleased to present this newsletter as our ongoing commitment to provide the membership with timely information and tools you can use in making decisions for your community. I also want to use this opportunity to keep the membership updated on the work of your Board of Directors.

The Board has been actively working on plans for a Legislative Reception in Harrisburg as well as hiring a webmaster to design a new website for the Association.

The Board plans to host our first ever reception event for the legislators representing the 35 PMEA member Boroughs. This event will serve to educate our legislative leaders on the benefits (both tangible and intangible) of municipally owned electric systems. The success of this event will depend on involvement from our Mayors, Council members and Borough Managers making the trip to Harrisburg and interacting with the legislators. Your involvement will be critical and we hope that when plans are released you will make time to join us.

The Board has also contracted with Smart Blonde Creative of Monroe County to begin design work on a new website. The new website will be unveiled at our annual meeting scheduled for September 12th, 13th and 14th at Toftrees Resort in State College, PA.

Have a fantastic summer, and I look forward to seeing everyone in State College.

Vance E. Oakes,
(Borough Manager, Grove City)

Vance Oakes, PMEA President

New Energy Conservation Standards for Distribution Transformers

By James J. Havrilla, PE, Utility Engineers PC

Distribution transformers generally step down distribution voltages ranging from 4,160 to 12,470 volts to customer service voltages of 120/240, 120/208 and 277/480 volts. Because they operate 24 hours a day, each day of the year, any improvements in energy efficiency hold the promise for savings.

The Energy Policy and Conservation Act (EPCA) of 1975 established an energy conservation program for major household appliances. The National Energy Conservation Policy Act of 1978 amended EPCA to include an energy conservation program for industrial equipment. The Energy Policy Act of 1992 additionally amended EPCA to add commercial equipment, including electric utility distribution transformers.

The Department of Energy has initiated a new rulemaking to amend the energy conservation standards for the energy efficiency of distribution transformers. On February 10, 2012, proposed rules were published in the Federal Register with compliance anticipated to start January 1, 2016. Any included distribution transformer manufactured in, or imported into, the United States must meet the new minimum efficiency levels. The standard applies to new equipment only and does not require equipment replacement. Used equipment would not be subject to the new standards.

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PMEA - The Power of Working Together

- Berlin • Blakely • Catawissa • Chambersburg • Duncannon • East Conemaugh
- Ellwood City • Ephrata • Girard • Goldsboro • Grove City • Hatfield
- Hooversville • Kutztown • Lansdale • Lehighton • Lewisberry • Middletown • Mifflinburg • Mont Alto
- New Wilmington • Olyphant • Perkasie • Pitcairn • Quakertown • Royallton • St. Clair • Schuylkill Haven
- Smethport • Summerhill • Tarentum • Wampum • Watsontown • Weatherly • Zelienople



New Energy Conservation Standards for Distribution Transformers (Cont.)

Per the notice of proposed rulemaking, impacted distribution transformers are those that have a primary voltage of equal to or less than 35 kV, a secondary voltage equal to or less than 600 V, a frequency of 55-65 Hz, and a capacity of 10 kVA to 2500 kVA for liquid-immersed units. This range would include most distribution transformers on municipal electric systems.

The estimated cost of the proposed standards is \$302 million per year in increased equipment costs. The benefits are \$631 million per year in reduced equipment operating costs. Environmental benefits include an estimated \$244 million in CO₂ reductions, and \$7.78 million in reduced NO_x emissions. In this case, the net benefit of the new standards amounts to \$581 million per year.

The DOE expects the energy savings from the proposed standards to be equivalent to the energy output from 2.40 gigawatts of generating capacity by 2045. Final comments on the proposed rules were due by April 10, 2012 and the final rules are expected within two years.

Pennsylvania Legislative Update



In the last edition of the *PMEA e-News*, we reported on several bills introduced in the 2011 session of the Pennsylvania General Assembly which could negatively impact the interests of Pennsylvania's municipal electric systems. The PMEA Board has continued to react and respond to these legislative threats, which could adversely affect the PMEA member boroughs' exclusive rights of local control and self-regulation of their municipal electric systems. If any members have questions, or desire additional information on these or other bills, please feel free to contact PMEA Counsel, Tony Adonizio (acadon@ezonline.com; 717-730-2052).

The following is an update on this legislation.

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Did you know?

At the 2011 annual meeting the Association's engineers, Utility Engineer's PC provided a Retail Rate Survey report which compared the retail electric utility rates of all 35 Boroughs to Investor Owned Utilities across Pennsylvania. Copies of this study are available to all members free of charge. Requests for electronic copies can be made to Norm Baron, PE nbaron@uepc.net or to Jim Havrilla, PE jhavrilla@uepc.net.

Senate Bill 1236 – PA PUC Regulation of Municipal Electric Systems

This bill, introduced by Sen. Tim Solobay (Canonsburg), would place municipal authorities which provide electric service under full PA Public Utility Commission regulation. This legislation has been referred to the Senate Consumer Protection Committee, and is identical to the bill which Sen. Solobay sponsored in the past session during his time in the House, HB 1474. PMEA has strongly opposed the bill, arguing that local control and regulation of municipal electric systems makes PUC regulation duplicative, unnecessary, undesirable and costly to consumers. No action has been scheduled on the legislation by the Senate Consumer Protection Committee, and after discussions with the senior staff of the PUC and the prime sponsor to explain the very adverse impacts which this legislation would have on our member municipal electric systems, we have received assurances that they will not seek to move the bill forward.

House Bill 1702 – Borough Code Revision Legislation

Act 43 of 2012

This legislation is a revision of the entire Borough Code, including the repeal and rewriting of all Borough Code provisions relating to electric service by boroughs and municipal power agencies. HB 1702 was passed by the House in December, and passed by the Senate in May. Governor Corbett signed it into law as Act 43 of 2012 on May 17, 2012, and it will become effective 60 days after that date.

PMEA worked closely with the PSAB legislative staff on this legislation, and after comparing the existing Borough Code provisions relating to electric service which the bill repealed, against the new language in the bill which replaces current law, we find no substantive changes which would diminish the rights and powers of a borough concerning the provision of electric service. Thus, we are happy to report that, this legislation has no adverse impacts on the members of PMEA.

Public Employee Occupational Safety and Health Act

Three similar bills (HB1225; HB1647 and SB 855), each entitled the “Public Employee Occupational Safety and Health Act”, have been introduced in the PA General Assembly which would make municipalities, including the electric operations of the PMEA members, subject to the requirements of the 1971 Federal OSHA law, and to the U.S. Dept. of Labor/OSHA extensive regulations promulgated under that Federal statute.

Currently, the Federal OSHA statute and regulations apply only to private industry and to the federal government. Through state legislation, 26 other states have voluntarily adopted similar requirements, making the broad scope of the OSHA law and regulations applicable to their operations and to the operations of their respective political subdivisions. These are commonly referred to as “OSHA States”. The unions in those states drove those voluntary adoption actions, coupled with the desire by those states to obtain Federal funding of their state regulatory programs. Pennsylvania has not taken that step, and therefore none of the requirements of the OSHA statute or regulations currently apply to municipalities in PA. PMEA has opposed each of these bills, and to date no committee action has been scheduled on this legislation.

Municipal Electricity Aggregation Legislation

Past editions of the *PMEA e-News* have reported on the introduction of so-called municipal electricity aggregation legislation, which would allow interested municipalities, or groups of municipalities, to adopt an ordinance to apply for a license from the PA Public Utility Commission to act as an aggregator to sell electric generation supply service to residential and small business consumers located in their municipal boundaries, on either an opt-in or an opt-out basis. While none of these bills has yet moved forward in the committee process, action on this legislation could take place later in the year. The following is a brief review of each of the current municipal electricity aggregation bills.

SAVE THE DATE

Sept 12-14 – PMEA Annual Conference @ Toftrees Resort – State College, Pa.



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Public Power Issues of Interest on Capitol Hill

By Jolene Thompson, AMP Senior Vice President of Member Services and External Affairs, American Municipal Power, Inc.

With the current session of Congress about one-third completed and with the upcoming election in mind, there are not many Congress-watchers who are predicting significant legislative accomplishments over the next six months, and even fewer, if any, envisioning widespread bipartisan agreements. However, a few key legislative issues of interest to public power are expected to see some congressional action, which also may foretell some significant action following the election or in the next Congress. Here's a run-down of some key issues to watch:

Tax-Exempt Financing. The Administration's FY 2013 budget request repeats the prior year's proposal to subject a portion of the interest earned on tax-exempt bonds to federal taxation, thus reducing the attractiveness of tax-exempt bonds for higher income earners. So far, this is only a proposal, but as pressure continues to build for congress to enact a combination of spending cuts and revenue increases to meet the requirements of last year's debt limit deal, the use of tax-exempt financing by municipalities for all sorts of infrastructure projects – including generation projects and electric system upgrades – remains at risk. Tax-exempt financing also could become enmeshed in the broader tax reform debate expected following the election. PMEA members are urged to keep your U.S. Representatives and Senators informed of just how important tax-exempt financing is to your community and your electric system operations. AMP has prepared a white paper on tax and financing issues, which is available on the AMP member extranet. Please contact Bethany Kiser (bkiser@amppartners.org or 614/540-0945) if you need a password.

Cybersecurity. Cybersecurity is an issue that continues to vex Congress, national security interests, privacy advocates, and businesses alike. While there is general agreement that more should be done to protect both government and private sector electronic communication and information technology resources from potential cyber-attacks, there is little agreement as to just how that should be accomplished. For electric utilities, the debate has centered on the key distinction between "imminent threats" and "potential vulnerabilities", with differing levels of government access, and retaining the existing oversight by the North American Electric Reliability Corp. (NERC) for all but the most serious threats. To date, most of the congressional action on the issue of cybersecurity has happened behind the scenes and in committee, with competing approaches in the House and Senate and among various committees of jurisdiction. But there is some serious speculation that there could be a Senate floor fight on cybersecurity legislation this spring.

Congressional Response to EPA Regulatory Initiatives. The House continues to weigh in against the U.S. Environmental Protection Agency's (EPA) ongoing effort to reduce emissions from coal-fired electric generating units, but legislation has generally died in the Senate for lack of the 60 votes necessary to defeat any filibuster. At least one approach that is expected to see a Senate floor vote this spring is an effort to overturn EPA's Mercury and Air Toxics Standards (MATS) rule through the use of a "disapproval resolution" under the Congressional Review Act (CRA). Under the CRA, only a majority is necessary for passage, but it can be – and would be expected to be – vetoed by the President.

While the Senate floor vote may thus be largely symbolic, it will be an important indication of the level of opposition to EPA's regulatory actions. Later in the year, another Senate vote under the CRA may occur on the agency's recently announced New Source Performance Standards (NSPS) for greenhouse gasses from existing facilities. There is also some discussion of moving legislation that would provide a "reliability safety valve" for utilities to avoid any EPA-imposed penalties for excess emissions if they are required by the Federal Energy Regulatory Commission (FERC) to operate for reliability purposes.

Clean Energy Standard. While no action is expected this Congress, a new proposal to require a federal "clean energy standard" (CES) has been introduced, which may provide a starting point for more meaningful consideration of this issue in the next Congress. S. 2146 would establish a market-oriented standard for electric energy based on its carbon content, requiring an increasing percentage of each impacted utility's annual retail sales to come from "clean energy" resources – beginning at 24% in 2015 and increasing by 3% each year through 2035.

The bill defines "clean energy" as renewables, qualified biomass, natural gas, hydropower, nuclear power, qualified waste-to-energy, qualified combined heat and power, qualified efficiency improvements, and coal with carbon capture. A general placed-in-service date of after December 31, 1991, applies. Pre-1992 hydro and nuclear generation can be "backed out" of a utility's compliance requirements. The bill sets a declining threshold for applicability; beginning in 2015, utilities with annual retail sales of less than 2 million MWhs are exempt from the bill's requirements. This threshold declines over time to exempt only those utilities with annual retail sales of less than 1 million MWhs by 2025. The bill does treat hydro more favorably than previous iterations, but many of the legislation's details are not fully developed in the 25-page bill. This issue bears watching, particularly in the next Congress.

If you have questions about these issues, please contact Jolene Thompson at jthompson@amppartners.org or 614/540-1111. Additionally, you are encouraged to check out the Legislative, Regulatory and Legal section (under the Services tab) of the AMP website for copies of AMP issue briefs and federal regulatory filings.



Standards of Good Practice

In 2010 the Association, at the request of our membership, addressed the nagging criticism that each of our Boroughs has a different set of rules and policies for the management of our electric systems. A sample set of guidelines was adopted that serves as a template of possible policy choices for consideration and adoption by each of our borough councils.

The PMEA believes very strongly in local control and self-regulation; it is one of the advantages of operating our own electric systems and it is a fundamental principle. However, there is some validity in the criticism that local control without proper guidance can result in municipalities making inappropriate or unjustified policy decisions. Indeed, as we saw in 2009, criticism led to the introduction of state legislation, which would have placed all 35 borough owned and operated electric systems under the jurisdiction and control of the Pennsylvania Public Utility Commission (PUC). While we have successfully avoided this threat, this new self-regulatory initiative will certainly help to ensure that all of our electric systems remain under local control, and free from state regulatory intervention. Each Borough received a copy of this sample set of policies previously, but if you would like another electronic copy, please contact Vance Oakes Vance@GroveCityOnline.com or Jeff Stonehill JStonehill@ChambersburgPA.gov.

Legislative Update (Cont.)

House Bill 411: Introduced by Rep. Joe Preston (Pittsburgh), this municipal electricity aggregation bill, is similar to legislation introduced in the last session of the PA General Assembly. This bill, which is currently in the House Consumer Affairs Committee, provides for an exclusion for the state's 35 boroughs which own and operate electric distribution systems, and recognizes that the borough electric distribution systems already act as aggregators of generation supply for their citizens and businesses. This protection in the legislation will prevent our loads from being "cherry picked" by other suppliers.

Senate Bill 1034: Introduced by Senator Mary Jo White (Franklin), this municipal electricity aggregation bill was referred to the Senate Consumer Protection and Professional Licensure Committee. SB 1034 contains the same favorable exclusion and protection for the 35 boroughs in PA which own and operate electric distribution systems.

Senate Bill 856: This municipal electricity aggregation bill was introduced by Senator John Rafferty (R-Berks, Chester & Montgomery Counties). This bill, which was referred to the Senate Local Government Committee, simply provides that a municipal authority may act as an aggregator, and sell electricity to any resident of the municipality which created the authority.

Senate Bill 557 - Free Enterprise and Taxpayer Protection Act

This bill, introduced by Senator Pat Browne (Allentown), is similar to legislation in past sessions of the PA General Assembly, forbidding government entities, including boroughs, from competing with private businesses. Electric supply by boroughs is exempted from the bill's prohibited activities, and is also grandfathered in the bill's provisions, so this bill does not represent an immediate threat to PMEA members. The bill was referred to the Senate State Government Committee, and no action has as yet been scheduled. PMEA will continue to monitor the legislation for any possible amendments which might have an impact on the member systems.

Training Opportunities

The PMEA Technical Committee has announced the following training opportunities for 2012:

Sept. 5th, 6th and 7th Rubber Glove refresher training. This training will be hosted at Middletown Borough and the trainer will be Ken Bilek of Global Live Line, Inc. Registration cost is \$600 per person.

Sept. 13th A Review of the 2012 National Electric Code. This training is being co-hosted by PMEA & AMP Partners. Training will include an overview of the NEC as well as major changes to the code for 2012. This training is being conducted at Cabela's, Hamburg, PA from 7:45AM to 4:15PM. Cost is \$300 per person.

For more information and registration forms please contact Greg Wilsbach at GWilsbach@MiddletownBorough.com or (717)902-3078