



STATE OF CONNECTICUT

PUBLIC UTILITIES REGULATORY AUTHORITY

Frequently Asked Questions:

Docket No. 20-08-03: Investigation into Electric Distribution Companies' Preparation for and Response to Tropical Storm Isaias

What was the result of the investigation?

The Authority's investigation resulted in numerous findings that have a range of short-, medium- and long-term consequences for Eversource and UI. PURA found that Eversource did not satisfy performance standards for managing its municipal liaison program, executing its Make Safe responsibilities, communicating critical information to its customers, or meeting its obligation to secure adequate resources in a timely manner to protect the public safety and to provide for the overall public interest. The Authority also found that Eversource was imprudent in many actions (and inactions) leading up to Tropical Storm Isaias.

Conversely, the Authority concluded that UI generally met standards of acceptable performance in its preparation for and response to Tropical Storm Isaias, although the investigation yielded several areas in which UI fell short. Specifically, while UI secured and deployed adequate line crews for the event overall, in communities such as Bridgeport, the company failed to meet all of its Make Safe obligations. The investigation also found that UI failed to meet its public safety obligations in responding to the highest priority calls.

As a result, PURA will move immediately to the next phase of the proceeding to consider levying fines against one or both of the utilities. The Authority has also issued a number of immediate directives to each company regarding targeted revisions to their Emergency Response Plans (ERP). Further, PURA ordered a reduction in the profit, or return on equity, of both companies so as to incentivize corporate management to properly prepare for future storms, and also ordered both utilities to undergo comprehensive management audits.

How did PURA evaluate the performance of Eversource and UI?

Because PURA is a quasi-judicial agency that can issue legally binding orders, the Authority conducted its investigation as a fully litigated proceeding where it sought testimony, evidence and comments from the utilities, customers, municipalities, elected officials, and government agencies regarding the electric utilities' performance before, during and after the August 4, 2020 tropical storm.

After completing its discovery process, PURA evaluated the evidence it collected against known "performance standards" established pursuant to state law, regulations and previous PURA orders. One key document is the Emergency Response Plan issued by each utility, which outlines the ways in which the utility is expected to prepare for and respond to an emergency event across all major categories, from communicating with municipalities to the number of line crews to deploy and more. The Authority used its expertise to evaluate whether the evidence indicated that each electric utility was reasonable in its attempts to satisfy the performance standards, and if not, why not.

What is a “Make Safe” responsibility?

Public service companies, including UI and Eversource, have specific obligations with respect to civil preparedness and emergency response. The Department of Emergency Services and Public Protection (DESPP) developed the Connecticut State Response Framework (SRF), which is comprised of various Emergency Support Functions that are activated to assist with different aspects of emergency response and recovery. Emergency Support Function (ESF) -12 focuses on coordination with public utilities for Make Safe activities and the repair and restoration of energy infrastructure.

The Make Safe/Blocked Road protocol is formalized in the ESF-12 Annex and defines blocked roads as well as “Make Safe” blocked roads. A “blocked road” is a road that meets two criteria: (1) it is impassable to emergency vehicles; and (2) there is no other reasonable means of access to an area. A blocked road may be caused by any number of obstacles, such as trees, snow, or utility and communications equipment. A “Make Safe” blocked road is a specific subset of “blocked road” where a utility company’s facilities are involved in the hindering of emergency access.

The clearing of blocked roads is a high priority for all communities during storm response, particularly within the first 48 hours, to allow municipal and state emergency vehicle access and other life safety actions so that officials can perform their duties to protect public safety. Town public works departments, the state Department of Transportation, and utility companies with facilities in the public right-of-way must work in concert and in sequence to clear blocked roads. Since multiple entities are involved, communications among them are crucial for the timely clearing of blocked roads. If an electric distribution company’s facilities are involved in a Make Safe blocked road, it is necessary for safety reasons that the electric company resolve the electrical hazard first.

A municipality is tasked with collecting and prioritizing blocked roads. Make Safe locations are then presented to the utility in a standardized blocked road form. After receipt of the forms, the EDCs are to then assign crews to work on the list based on priorities set by the town. The Protocol contemplates that the standard practice is that a Make Safe crew is assigned to a municipality and that the crew will remain in the municipality performing Make Safe work. The Protocol allows for flexibility in recognizing that Make Safe crews may be pulled for emergent priorities, but that if this occurs, it must be communicated to the municipality along with a projection for estimated time for the crew to return.

Has Eversource applied to PURA to recover costs from Tropical Storm Isaias? Isn’t that what ratepayers are already paying for?

Neither Eversource nor UI have requested cost recovery for Tropical Storm Isaias at this time. PURA cannot preclude the electric utilities from applying to recover the costs incurred during Tropical Storm Isaias in a future rate case. However, if an application for cost recovery is filed, the Authority may disallow specific storm response and recovery costs or other expenditures based on Eversource’s and UI’s performance before, during, and after Tropical Storm Isaias.

If electric system improvements are aimed at upgrading the electric grid, why does it continue to fail during storms? If electric system improvements do not upgrade the grid, what are ratepayers paying for?

Electric system improvements help to upgrade the grid; however, every storm is different. In past storms, flooding has been a major hazard, whereas, in Tropical Storm Isaias, the large number of downed trees caused tremendous levels of outages across the state. It is evident that not enough high impact measures have been implemented to date, such as hardening or undergrounding key portions of circuits and making critical facilities more resilient. Meanwhile, it is increasingly unclear what benefits programs such as vegetation management have in mitigating storm impacts and preparing the electric grid to better withstand major storms. While trees caused a disproportionate number of distribution system outages during Tropical Storm Isaias, the evidence indicated that these were often healthy trees outside of the utility right-of-way. Trees become “hardened” over the years to whatever the primary wind direction is for a given region, and the winds during Tropical Storm Isaias came from a 180-degree opposite direction than normal, resulting in devastating consequences to the grid.

PURA is actively investigating both electric utilities’ reliability and resilience programs to ensure that customers are getting what they pay for, particularly as the frequency and severity of major storms is likely to increase.

After Superstorm Sandy, PURA directed Eversource and UI to make certain improvements to storm activities, including studying the accuracy of estimated restoration time projections. Have both utilities made those necessary improvements since then?

While not all the issues faced by Eversource and UI during Superstorm Sandy mirror those in Tropical Storm Isaias, many are recurring. While Eversource met the global Estimated Restoration Time (ETR) standard for Tropical Storm Isaias, it failed to provide accurate, timely, and consistent restoration information to customers. Specifically, Eversource failed to meet the stated substantial restoration deadline for 31 towns. Even more notably, Eversource’s outage maps and other communications systems were down for large portions of the first 24 hours after Tropical Storm Isaias hit Connecticut. This is simply unacceptable and cannot continue to occur, as the State has experienced similar communication outages during other recent storms.

Overall, PURA’s Tropical Storm Isaias investigation revealed many of the same deficiencies in emergency response – particularly by Eversource – that customers experienced during the 2011 - 2012 storms. Today’s decision details the standards of performance put in place in response to those storms, which were intended to serve as a measuring stick to compare each company’s response to future major storm events. Following the 2011 – 2012 storm investigation, the Authority reduced Eversource’s return on equity by 0.15% to incentivize its management to improve performance during future storms. That measure clearly did not have its intended effect. Consequently, today’s decision implements an indefinite 0.90% ROE reduction for Eversource to ensure that the public is never placed in this position again.

If PURA imposes fines during the next phase of the proceeding, are the financial penalties recoverable from ratepayers?

No, fines and financial penalties levied against the EDCs are not recoverable from ratepayers; the penalties must be paid by utility shareholders. PURA plans to immediately consider levying fines against both EDCs based on their subpar response to Tropical Storm Isaias in Docket No. 20-08-03RE01, PURA Consideration of Civil Penalty and Enforcement Action Against the Electric Distribution Companies After Storm Isaias Investigation.

I read comments from Eversource regarding PURA’s draft decision, where Eversource claimed that PURA’s decision does not comply with state law as it “may stack multiple penalties on the same underlying conduct.” Is that accurate? Will the companies’ Return on Equity (ROE) be adjusted and is this the same as levying fines or financial penalties?

No; that is not accurate. State law authorizes the Authority to levy civil penalties against any regulated entity, each in response to a separate violation. Civil penalties are authorized by Connecticut General Statutes §§ 16-32i and 16-41 and will be considered in the reopened docket. In today’s decision, the Authority authorized a reduction in both utilities’ ROE by 0.90% and 0.15% for Eversource and UI, respectively. The reduction in each utilities’ ROE is consistent with prior Authority precedent, and is used as method to incentivize utility management to improve *future* storm performance, whereas any fines levied in Docket No. 20-08-03RE01 would be to penalize poor performance in response to Tropical Storm Isaias.

What is the profit margin for Eversource and United Illuminating?

Pursuant to Section 16-32i of the General Statutes of Connecticut, PURA can levy civil penalties based on a percentage of a utility’s annual distribution revenues based on a finding that the utility failed to comply with any standard of performance or PURA order. Eversource’s total income for 2020 was \$327 million (not including net interest charges) with a realized ROE of 9.03%. UI’s total income for 2020 was \$101 million (not including net interest charges) with a realized ROE of 8.91%. Importantly, these numbers reflect the incomes and return on equity realized by the state-jurisdictional electric distribution companies – not the unregulated parent companies, Eversource Energy and Avangrid.

What does it mean that Eversource and UI have to undergo a management audit?

In light of the storm response and management deficiencies identified during PURA’s investigation, the Authority is requiring Eversource and UI, as well as their regulated gas and water affiliates, to undergo comprehensive management audits to begin this summer. The scope of the audits will be refined by PURA, in conjunction with interested stakeholders, over the next several months, but the Authority has identified the following initial areas of focus: (1) a comparison of current operations to previously undertaken management audits and to the Authority’s investigation of the 2011 storms; (2) a more granular examination of ERP performance standards, including communications standards, Make Safe protocols, and the liaison program; (3) the degree of support from the executive team/parent company, balanced with the degree of independent decision-making allotted to the state-jurisdictional EDC; and (4) organizational changes necessary to address subpar emergency response performance deficiencies identified herein or through the course of the management audit.