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September 3, 1996



Docketing Department
Public Utilities Commission
of Ohio
180 East Broad Street
Columbus, Ohio 43266-0573

**Re: In the Matter of Amendment of Chapter 4901:1-11 of the Ohio Administrative Code and Efforts to Reduce Reporting Requirements; PUCO Case No. 96-749-EL-ORD**

Dear Sir or Madam:

Enclosed is the Motion for Leave to File Late Filed Comments and Comments of Centerior Energy Corporation filed in the above-referenced case.

Please docket on Wednesday, September 4, 1996, and return one time-stamped copy to me in the enclosed self-addressed envelope. Thank you for your assistance in this matter.

Very truly yours,

Michael C. Regulinski
Senior Counsel

MCR:ms

Enclosures

RECEIVED
SEP 04 1996
DOCKETING DIVISION
Public Utilities Commission of Ohio

**BEFORE**
**THE PUBLIC UTILITIES COMMISSION OF OHIO**

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| In the Matter of Amendment of Chapter 4901:1-11 of the Ohio Administrative Code and Efforts to Reduce Reporting Requirements | ) ) ) ) | Case No. 96-749-EL-ORD |

**MOTION FOR LEAVE TO FILE LATE FILED COMMENTS**
**AND COMMENTS OF CENTERIOR ENERGY CORPORATION**

By Entry dated August 8, 1996, the Commission established this docket for the purposes of revising Section 4901:1-11, OAC, which includes requirements to report fuel procurement and utilization data to the Commission. The Entry proposed certain changes which would reduce the amount of data collected by the Commission, replace existing efficiency incentives (MCE) and eliminate thirteen monthly ER forms. The Commission stated that any person wishing to file comments regarding the proposal should do so by August 30, 1996, with reply comments no later than September 13, 1996.

Centerior Energy Corporation, on behalf of The Cleveland Electric Illuminating Company and The Toledo Edison Company, requests leave to file late filed comments due to the press of other business, and requests that these comments be accepted as timely filed.

REDUCTION IN THE DATA REQUIRED BY THE COMMISSION ON A MONTHLY BASIS

Centerior applauds the Commission's efforts to reduce reporting requirements of electric utilities. Centerior does not believe that the information is necessary, and is pleased to support the Commission's efforts to reduce unnecessary reporting requirements.

However, the Commission's proposed rules do not go far enough. While the Commission has apparently reduced many of the reporting requirements, it is unclear what information is still required of electric utilities, and why the remaining requirements are still needed. Thus, it is unclear from the Entry's attachments what "eliminate" or "calculated" or "keep" means, and whether this means that the information still needs to be reported. Furthermore, it is unclear how the Commission will use the information, and whether the information could be reported on disk or in hard copy. Therefore, Centerior respectfully requests that the Commission clarify its intention to show exactly what information it still expects to be reported, why the Commission wants this information, and how it can be provided in the least costly manner. Centerior requests that if the Commission still requires certain information, that the Commission permit electric utilities to provide the information on disk on Lotus format. The taping of this information as currently required is onerous, unnecessary and expensive.

CALCULATION DEPENDENT VARIABLES

Centerior is unable to discern from the Entry or Attachment 1 which data is needed to be reported by Centerior, in what manner, and for what purpose. Centerior requests a clarification of what information still needs to be reported by Centerior, in what manner, and for what purpose.

EXISTING EFFICIENCY INCENTIVE (MCE)

The Commission has proposed three methods to measure the efficiency of the fuel procurement and utilization practices of electric light companies. However, each of the Commission's proposals fail to provide any incentives to electric utilities to improve the efficiency of its procurement and utilization practices. Rather, each of the Commission's proposals penalizes utilities, but there is no manner in which companies that have superior procurement methods and utilization practices benefit from the Commission's proposals.

Efficiency standards must be carefully structured to provide an incentive to achieve the highest possible procurement and operating efficiencies and also penalize utilities who, because of factors beyond management's reasonable control, fail to meet the standard, without compromising the utility's objective of safe and reliable provision of electricity. Thus, the standards should be established to have both an upside and a downside, whereby upside benefits can be used to offset a downside disallowance in a future year. Without the upside potential, the utilities are merely penalized for poor performance, and there is no positive incentive for the company to perform better than average. Thus, the Commission should restructure their proposals to provide that where a company's MCE is superior (say, compared to industry average), then the utility would receive a benefit which could be utilized to offset a disallowance in future years.

The first method considered by the Staff is a comparison of each electric utility's percentage change in fuel cost, over a period of time, to the percentage change in the fuel cost of all eight PUCO-regulated electric utilities. Attachment 2 to the Entry demonstrated the utility's fuel costs in 1994, calculated the costs over the energy, and the percentage change, and then compared the percentage change to all other companies. The Staff proposed that those companies with fuel cost changes more favorable than the average would recover 100% of the uncollected system loss, while those with less than favorable positions compared to average would only be entitled to 50% of the uncollected loss. The Commission Staff also left open the possibility of a dead band so that companies with averages close to the system average would not be penalized. Centerior supports the use of a dead band.

As stated above, the proposal failed to provide any upside potential which may be utilized to offset a disallowance in the future. Further, the proposal fails to recognize situations, such as shown on the example 94-95 data, where all electric utilities reduced their costs, but several are nevertheless penalized for costs savings! The Commission should provide an incentive whereby utilities which have superior improvement would create a bank that could be used to offset future disallowances, but not penalized for saving its customers money.

Another problem with the Commission's proposal is that it compares those costs which are outside of the reasonable control of electric companies. Included, for example, in the includable fuel costs shown is the transportation costs of Centerior's operating companies--CEI and Toledo Edison. However, transportation costs are not uniformly incurred by the eight Ohio electric utilities, as the northeastern and northwestern utilities operate plants which are not close to rivers which can utilize the cheapest source of transported coal--barged coal. The Centerior companies must utilize rails and trucking, which is a more expensive method to transport coal and the escalation of such costs are outside management's reasonable control. Further, transportations costs escalation may not correlate with fuel costs escalation. While Centerior has explored different methods of transporting coal, without the access to barged coal the comparisons to the other Ohio electric utilities is unfair. While Centerior may be able to acquire coal on a comparable basis, the transportation costs are not fairly compared to other electric utilities whose plants sit on the Ohio river. Thus, the includable fuel costs must exclude the transportation costs in order to get a fair comparison with other electric utilities.

Other methods considered by the Staff include the comparison of each electric utility's equivalent availability factor for fossil plants, capacity factor for nuclear plants, or forced outage rates compared to the industry average (on a three-year rolling average). The Commission Staff proposes that if the Company's EA/CF is higher or within 95% of the industry standard, it will recover 100% of the uncollected system loss, where if the standard is below 95%, the Company will adjust its EFC to recover only 50% of the uncollected system costs.

Again, as stated above, the proposal is one-sided, and it fails to provide any upside to the Company. As stated before, an incentive ought to establish a balance of benefits and losses whereby a disallowance in the future may be offset by positive standards in the previous year. The Commission fails to provide a positive incentive in this method.

Specifically, there is one key difference between CEI and Toledo Edison and most other Ohio electric utilities' fossil base load units. Unlike Centerior, the other Ohio utilities operate their large coal-fired units as base load units. That is, their fossil units are dispatched first and operate at the maximum output to meet customer demand throughout the year. On the other hand, several CEI and Toledo Edison fossil units are actually intermediate load units, not base load units, as they have been characterized in past PUCO coal-powered plant performance reports. CEI's and Toledo Edison's primary base load units are nuclear (Perry, Davis-Besse and Beaver Valley). The nuclear units are the first units dispatched and are operated at maximum output to meet the constant portion of the customers' load requirements.

In CEI's and Toledo Edison's most recent rate cases, Cases No. 95-299-EL-AIR and 95-300-EL-AIR, Centerior provided load duration curves versus net demonstrated capability which showed CEI's and Toledo Edison's dispatching requirements. The load duration curve demonstrated that CEI's nuclear units are relied upon in the entire year to meet the constant portion of customer demand (attached). Next, CEI's share of the Bruce Mansfield Coal Plant, which is operated by Pennsylvania Power Company, is relied upon to meet load demand. CEI's Avon 9 and Eastlake 5, the next units typically utilized, operate at a higher capacity factor during the daytime and lower capacity factors at night and on the weekends. The remaining CEI and TE units characterized as base load in the PUCO annual report, specifically Eastlake 1-4 and Bayshore 1-4, are actually operated at an intermediate cycling mode. The remaining coal units are considered intermediate load units, and relied upon to meet the remainder of the load demand. The intermediate load units, such as Eastlake 1-4 and Bayshore 1-4, are actually operated in a cycling mode. That is, they operate at various reduced output levels dictated by system load requirements, and are sometimes shut down when not necessary to meet load.

The impact of cycling and peaking of these units which were originally designed for base load operation negatively effects the availability and forced outage rates of these units. This impacts all performance measures. The fact that the PUCO performance report and the Commission's proposed regulations do not differentiate between base load units and intermediate load units results in an invalid comparison of Centerior's performance against other Ohio utilities. Other factors which impact Centerior's operating performance has been coal switching to meet environmental regulations which impacts electrostatic precipitator performance. Therefore, Centerior does not support the comparison of industry averages of equivalent availability factors for fossil units.

For nuclear units, Centerior currently has a nuclear performance standard (NPS) that was approved by the Commission in Cases No. 88-171-EL-AIR and 88-170-EL-AIR, which is applied through the EFC. The NPS disallows net incremental costs of replacement power where the nuclear units do not meet certain operating availabilities, which does not expire until 12/31/98. The proposal appears to be duplicative of the current NPS, and therefore unreasonable and unlawful.

## OTHER IMPROVEMENTS TO THE FUEL EFC PROCESS

The Commission should take other actions to make the fuel review process less burdensome to the utilities. Each year, the Commission establishes a fiscal, audit and annual summary report period which, for the Centerior companies, has always been different from the annual period. However, for some companies, the fiscal audit annual period is similar to or the same as the calendar year. Having an audit year that is different from a calendar year adds burdensome work upon the Companies' fuel and accounting staff. Instead, the Commission should establish audit periods which are the calendar year, which would save administrative and accounting time. The Company's budget is prepared on a calendar year, its FERC reports on based on a calendar year, and the tax return, including federal, state, local, excise and property taxes, are all calculated on a calendar year. It is only for the fuel procurement process that the Company established an audit year that is different from the calendar year. This mismatching of budget year to calendar year creates additional work for the Company's management, auditing and accounting departments, which adds no useful benefit to the Company. Thus, the Commission should establish audit years equal to calendar years to eliminate burdensome regulation.

The Commission should eliminate, except in unusual circumstances, the monthly filing and all ER forms which are currently required to be submitted to the Commission. Furthermore, the Commission should eliminate the reconciliation adjustment, and establish a twelve-month forecasting period for fuel procurement. Thus, Centerior could calculate its fuel forecasts for 1997, put it into effect for 1997, and the first month of 1998, true-up for the forecasted data to actual data, subject to review by the Commission. Thus, in January of 1998, under Centerior's proposal, it would true-up the actual-to-forecast subject to Commission review and also implement a new forecasted fuel number for 1998. Thus, there would be no need for a six-month adjustment, as Centerior would true-up the annual EFC in the first month following the forecasted period, subject to Commission review.

Additionally, there are many other requirements imposed upon investor-owned utilities that serve no useful purpose. The Commission should review Ohio Administrative Code Section 4901:1-9-06, Appendix A, which requires retention of numerous records by electric utilities. Under the Commission's rules, Centerior is required to keep employee service records, length of service and other "pertinent" data for three years after termination of employment. As some employees stay with the Company for thirty-plus years, this rule can require retention of employment records for a considerable time period. Additionally, Centerior is required to keep plant ledgers for 50 years, which includes land and other detailed ledgers showing the cost of utility plant by classes. The purpose of the 50-year requirement may be lost to history, but serves no current useful purpose. Other operation and maintenance records are required to be kept for the "life of the corporation". Thus, Centerior must be required to keep records of new and spent fuel inventory and assembly records under the nuclear portion of the rule for the life of the corporation. Centerior is also required to keep records of special reactor tests or experiments for the life of the corporation. Centerior will, of course keep pertinent records it requires for business and tax purposes, but mandatory compliance with OAC 4901:1-9-06, Appendix A is unnecessary regulation.

Centerior, therefore, respectfully requests that the Commission carefully review 4901:1-9-06, Appendix A, to eliminate all rules for the retention of records as being unnecessary and unduly burdensome.

Centerior is pleased to submit these comments for the Commission's review and respectfully requests that the Commission hold a workshop (similar to the workshop held for minimum electric standards on 8/21/96) to determine how an appropriate incentive mechanism may be structured and what other regulatory efficiencies may be achieved.

Respectfully submitted,

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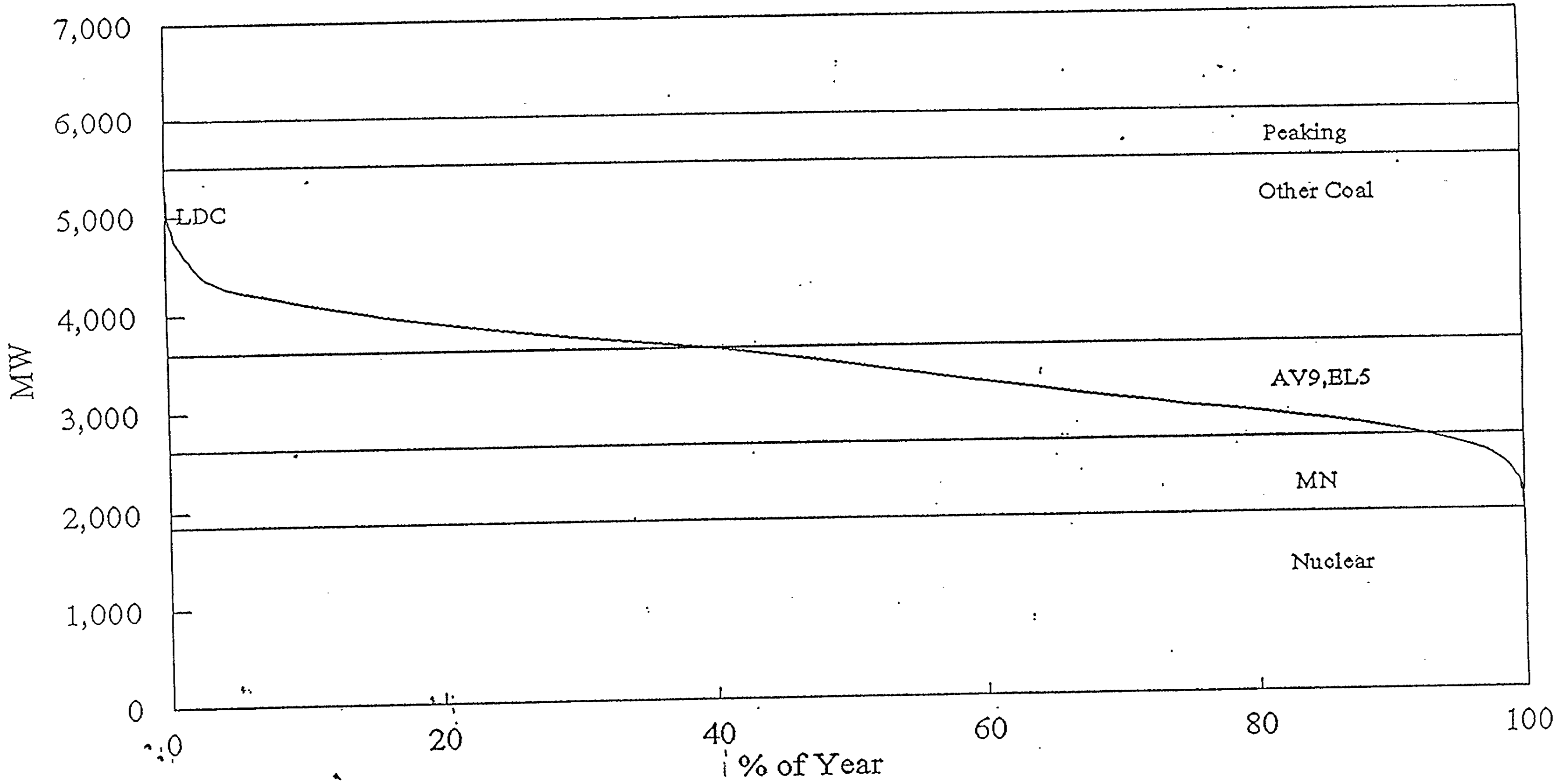
# Load Duration Curve vs. Net Demonstrated Capability

Centerior's Existing Generation System




LDC based on 1996.

SPO/IRP : 26-Sep-94