TC:

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Allegheny Power

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LEGAL DEPARTMENT

August 29, 1996

RECEIVED
AUG 30 1996
DOCKETING DIVISION
Public Utilities Commission of Ohio

**UPS - NEXT DAY AIR**

The Public Utilities Commission
of Ohio
Docketing Division
180 East Broad Street
Columbus, OH 43215

RE: **Investigation to Reduce Reporting Requirements**
**Case No. 96-749-EL-ORD**

Dear Docketing Division:

Please find enclosed herewith for filing the original and ten (10) copies of the Comments of Monongahela Power Company in the above-referenced case.

Comments have been served upon those persons likely to have an interest in this proceeding.

Sincerely yours,

Gary A. Jack
Attorney

GAJ:tmb

Enclosures

RECEIVED
AUG 30 1996
DOCKETING DIVISION
Public Utilities Commission of Ohio

BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

**In the matter of the Amendment of )**
**Chapter 4901:1-11 of the Ohio )**
**Administrative Code and Efforts to )**
**Reduce Reporting Requirements. )**

**Case No. 96-749-EL-ORD**

## COMMENTS OF MONONGAHELA POWER COMPANY

NOW COMES Monongahela Power Company ("Monongahela"), by counsel, and pursuant to the Public Utilities Commission of Ohio's Entry dated August 8, 1996 in this proceeding provides comments on establishing an alternative efficiency incentive to replace the existing efficiency incentive as well as comments on the overall proposal.

Monongahela fully supports the reduction of reporting requirements for the monthly fuel reports. The reduction in the reporting requirements will result in cost savings which should benefit our customers. We presume the elimination of various ER Forms would apply not only to the monthly reports but also to the prehearing and annual report filings in each individual utility's fuel cases. The Commission may want to clarify that the elimination of ER Forms applies to both reporting requirements.

Monongahela also supports the replacement of the existing MCE with an alternative efficiency incentive mechanism. The current MCE has always been complex, difficult to interpret, and, we feel, of limited value in measuring efficiency. The Company is an ardent supporter of performance-based ratemaking and believes it is in the best interests of all for the Commission to move as quickly as possible to implement performance-based ratemaking. This issue is ripe for consideration by the Commission in proceedings such as this, or in Initiative 37, and/or the Commission-ordered investigation on performance-based ratemaking in Case No. 92-1381-AU-COI. Monongahela commented extensively in the latter proceeding which we believe is still an open case.

With regard to the three proposed methods of a revised efficiency measure, we believe the best method is a combination of fuel costs and equivalent availability factors compared to a utility average to determine a relative efficiency. We believe that one critical change that must be made with the first proposed efficiency measurement, which is based on fuel costs, is that the comparison should be a utility's fuel costs compared with an average fuel cost for Ohio utilities, rather than a comparison of a utility's "percentage change" in fuel costs. Any standard that implements a change in percentage as the factor for efficiency penalizes those utilities that have already implemented important cost savings and preceded other utilities in implementing such cost savings. In effect, efforts in the past to reduce coal costs would have been in vain and in fact would have worked against the utility, vis-à-vis other utilities, as opportunities for further reduction would be very limited. As illustration, it is noted on Attachment 2 that Monongahela for the past year has reduced coal costs 12.3%, far exceeding the other percentage reductions. Such efforts already made to implement cost savings and lower fuel rates should not be penalized by now setting a "percentage change" standard as of a date certain and thereby imposing different cost standards and levels for each company. The comparison of company actual fuel costs to average actual fuel costs provides a truer measure of fuel procurement efficiency, is more reasonable, and should prevail.

With regard to using the equivalent available factor as an incentive mechanism, the Staff rightfully proposes that the factor be applied to an industry average (on a three year rolling average). We fully support this standard but would note that oftentimes reporting or statistics can be skewed or influenced depending on how an outage is reported.

In other words, utilities can and do exercise discretion in determining such matters as whether an outage has been forced. If equivalent availability factor is to be a measurement standard, there must be uniform rules for all utilities to utilize to determine a fair equivalent availability factor. Additionally, NERC has a coal classification, as well as a fossil-fuel classification, for evaluating equivalent availability factors for different generating units. The Commission may wish to consider using the coal classification in addition to, or in lieu of, the fossil-fuel classification.

The third proposal is to replace the MCE with the use of an equivalent forced outage rate compared to the industry standard. Since both equivalent availability factor and the forced outage rate are related to power generation performance, we believe that only one of these factors should be used. We recommend the equivalent availability factor in lieu of the forced outage rate as the former is more representative of total generating unit performance.

We appreciate the opportunity to comment and are pleased that the Commission and Staff are taking positive steps to reduce unnecessary reporting requirements.

Respectfully Submitted,

MONONGAHELA POWER COMPANY

By Counsel
Gary A. Jack, Esq.
Monongahela Power Company
1310 Fairmont Avenue
Fairmont, West Virginia 26554
(304) 367-3423

## CERTIFICATE OF SERVICE

I, Gary A. Jack, counsel for Monongahela Power Company, do hereby certify that a true copy of the foregoing *Comments of Monongahela Power Company* has been served on this 29th day of August, 1996 by depositing the same in the United States mail, postage prepaid, to the names and addresses listed below:

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Gary A. Jack