

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

**Re: Management Efficiency
Investigation of West Penn
Power Company**

**Public Meeting: August 25, 2011
2183001-AUD
Docket No. D-2010-2183001**

MOTION OF COMMISSIONER CAWLEY

Before us for consideration is the Bureau of Audit's Management Efficiency Investigation (MEI) of West Penn Power Company (West Penn)¹ and the utility's August 16, 2011 Implementation Plan. The scope of this investigation was confined to an examination of the progress in implementing 14 of the original 21 recommendations from the Focused Management and Operations Audit released in January 2008. West Penn has effectively or substantially implemented 12 of the 14 prior recommendations and has taken some action on the two remaining recommendations. Additionally, Bureau Staff has made three follow-up recommendations for improvement, and West Penn has accepted all three of those recommendations.

West Penn is to be commended for making substantial progress on many items identified in the original Management Audit because it:

- Reduced the Customer Average Interruption Duration Index and System Average Interruption Duration Index (CAIDI and SAIDI) reliability indices to levels that are better than the Company's rolling three-year standards.
- Greatly reduced the number of repeating worst performing circuits.
- Developed a prioritization matrix to rank all capital projects accordingly.
- Implemented software to track and monitor capital spending.
- Began to bill pole rental fees for affiliated and non-affiliated customers in a timely fashion.
- Began to track outside collection agency success by individual electric distribution company instead of Allegheny Power as a whole (i.e., West Penn and two affiliated electric distribution companies).
- Maintained reasonable outside collection agency success.
- Began to properly track its pole inspections.
- Made changes to the Annual Diversity Report to meet Public Utility Commission guidelines.

¹ West Penn became a subsidiary of FirstEnergy Corp. effective February 25, 2011.

Additional improvement needed was cited in this MEI with these recommendations:

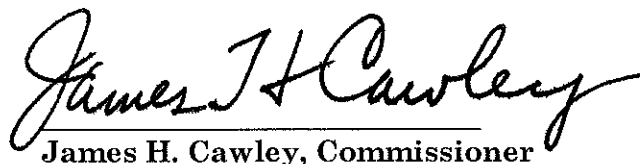
- Properly staff the field operation employees at each Service Center to address excessive overtime.
- Continue to evaluate the feasibility of a plan to replace porcelain cutouts that serve the highest number of customers to reduce the number of customer interruptions due to porcelain cutout failures.
- File all affiliated interest agreements with the Commission for any transactions with new affiliates moving forward as needed.

As to the first issue, Audit Staff's analysis showed that, when overtime was considered, it was likely the Company had been understaffed in many districts over the past several years. Specifically, in the period 2002-2006, overtime hours averaged 19-22%. Further, during the MEI period of 2007-2010, overtime hours did not improve, averaging 20-23%, despite a stated goal of 15% overtime hours. Audit staff concluded that, for employees that have experienced high levels of overtime for extended periods, there is an elevated potential for employee fatigue. Since the nature of the lineworkers' job already has a high potential for safety concerns, it is in the best interests of West Penn, its employees, and the public to minimize periods of high overtime for lineworkers. For this reason, West Penn should continue to analyze and report annually overtime hours and dollars on a weekly, monthly, and annual basis, and separately track overtime hours for major outages, as well as mutual assistance, for calendar years 2011 and 2012 for West Penn linemen. This information should be included in an annual report² filed no later than July 1st each year. West Penn should continue to file this annual report until such time as the next Management Audit is commenced. Lastly, West Penn should continue to maintain sufficient detail, if asked by staff, regarding individual line workers and location for this information.

THEREFORE, I move that:

1. The Law Bureau draft an appropriate tentative order consistent with this motion.
2. The Management Efficiency Investigation be made public.
3. West Penn Power Company be given the opportunity to submit comments to the Order within 30 days of entry of the Order.

August 25, 2011
Date


James H. Cawley, Commissioner

² The annual report should follow the same format as that utilized for submitting Management Audit annual implementation plan updates.