

WEST PENN POWER COMPANY

d/b/a

ALLEGHENY POWER

MANAGEMENT EFFICIENCY INVESTIGATION

**Evaluating the Implementation of
Selected Recommendations from the
2008 Focused Management and Operations
Audit Report**

**Prepared By The
Pennsylvania Public Utility Commission
Bureau of Audits
Issued July 2011**

Docket No. D-2010-2183001



**WEST PENN POWER COMPANY
MANAGEMENT EFFICIENCY INVESTIGATION**

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I. INTRODUCTION

A. Background

In September 2006, the Management Audit Division (Audit Staff) of the Pennsylvania Public Utility Commission's (PUC or Commission) Bureau of Audits initiated a Focused Management and Operations Audit (Management Audit) of the West Penn Power Company (West Penn or Company) who has been doing business as (d/b/a) Allegheny Power in Pennsylvania. West Penn is a subsidiary of Allegheny Energy, Inc. (Allegheny Energy) which also owns other regulated and unregulated companies, including Allegheny Energy Service Corporation that provides services to Allegheny Energy's electric distribution companies (EDCs). The other two EDCs owned by Allegheny Energy are Monongahela Power Company which operates in West Virginia and The Potomac Edison Company which operates in Maryland and Virginia. The three EDCs are collectively referred to as Allegheny Power.¹ The Audit Staff subsequently completed its work and in December 2007, issued a final report containing 21 recommendations for improvement. West Penn submitted its Implementation Plan on January 22, 2008, indicating that 16 recommendations were accepted, one recommendation was accepted-in-part, and four recommendations were rejected. On February 14, 2008, at D-06MGT018, the Commission made both the audit report and the Implementation Plan public and directed West Penn to:

- Proceed with the January 22, 2008 Implementation Plan.
- Submit progress reports on the implementation annually, by February 1, for the next three years.

Since January 2008, West Penn has submitted three Implementation Plan updates as requested by the Commission to ascertain the Company's progress in implementing recommendations from the Management Audit report. Based on a review of these updates, the Audit Staff elected to conduct a Management Efficiency Investigation (MEI) of West Penn's progress in implementing 14 of the original 21 recommendations. Specific items of management effectiveness and operational efficiency may be investigated pursuant to Title 66 Pa. C.S. §516(b).

B. Objective and Scope

The objective of this MEI was to review and evaluate the effectiveness of West Penn's efforts to implement certain recommendations contained in the Management Audit report released in February 2008. The scope of this evaluation was limited to

¹ At the time of our fieldwork, Allegheny Energy and FirstEnergy Corp. (FirstEnergy) were seeking approvals for their agreement to merge. The Allegheny Energy/FirstEnergy merger would include the Pennsylvania EDC West Penn Power Company and its affiliated EDCs Potomac Edison Company and Monongahela Power Company and the rest of the Allegheny Power System affiliates. The merger of Allegheny Energy, Inc. and First Energy subsequently closed on February 25, 2011.

determining the Company's efforts in implementing 14 prior Management Audit recommendations in the functional areas of:

- Affiliated Relations
- Transmission and Distribution Operations
- Customer Service
- Diversity

Additionally, the Audit Staff deemed it prudent to review West Penn's compliance with PUC regulations at 52 Pa. Code § 101.1 regarding its physical security, cyber security, emergency response, and business continuity plans.

C. Approach

This MEI was performed by the Management Audit Staff of the Commission's Bureau of Audits (Audit Staff). Actual fieldwork began on September 3, 2010 and continued intermittently through January 18, 2011. The fact gathering process included:

- Interviews with Company personnel.
- Analysis of selected Company records, documents, reports, and other information for the period 2006 through 2009 and selected 2010 data as available.
- Visits to select Company facilities.

II. SUMMARY OF MANAGEMENT EFFECTIVENESS AND OPERATING EFFICIENCY

The Audit Staff found that West Penn Power Company (West Penn or Company) doing business as (d/b/a) Allegheny Power in Pennsylvania has effectively or substantially implemented 12 of the 14 prior Management Audit recommendations reviewed and has taken some action on the other two recommendations. Among the more notable improvements achieved by the management of West Penn are:

- 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 electric distribution company instead of Allegheny Power as a whole (i.e., West Penn and two affiliated electric distribution companies).
- Have 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 (PUC or Commission) guidelines.

While these accomplishments are commendable, the Audit Staff has identified further improvement opportunities in certain areas. In particular, West Penn needs to:

- 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.

Exhibit II-1 summarizes the 14 prior recommendations reviewed and the Audit Staff's follow-up findings, conclusions and recommendations.

**WEST PENN POWER MANAGEMENT EFFICIENCY INVESTIGATION
SUMMARY OF JANUARY 2008 MANAGEMENT AUDIT RECOMMENDATIONS
AND STAFF'S FOLLOW-UP FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

Public Utility Commission Bureau of Audit's Prior Recommendations	Originally Targeted Completion Date	MEI Finding Number	Staff's Follow-up Findings and Conclusions as of January 18, 2011	Staff's Follow-up Recommendations
<u>III. Affiliated Relations</u>				
Charge Allegheny Communications Connect (ACC) a rate for pole attachment fees that is consistent with the rate charged to non-affiliated customers.	Awaiting FCC rulemaking	III-1	ACC no longer has any non-affiliated public customers.	None.
Abide by the terms in West Penn's Pole and Tower Attachment License Agreement to bill and collect pole attachment rental fees when due.	June 2007	III-2	West Penn has been issuing timely invoices for pole rental fees to both affiliated and non-affiliated customers.	None.
File an affiliated interest agreement with the Commission requesting approval for the goods and service being provided by West Penn to ACC and provide an analysis of the pricing structure of those goods and services.	Sept. 2008	III-3	West Penn has not filed an updated affiliate interest agreement to the Commission for review and approval of the goods and services being provided to ACC.	File an appropriate affiliated interest agreement for transactions between West Penn and ACC; or, depending on changes that occur as a result of the pending merger with FirstEnergy, file for approval of the asset transfer from ACC to West Penn or any other affiliated transactions that may occur.

**WEST PENN POWER MANAGEMENT EFFICIENCY INVESTIGATION
SUMMARY OF JANUARY 2008 MANAGEMENT AUDIT RECOMMENDATIONS
AND STAFF'S FOLLOW-UP FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

Public Utility Commission Bureau of Audit's Prior Recommendations	Originally Targeted Completion Date	MEI Finding Number	Staff's Follow-up Findings and Conclusions as of January 18, 2011	Staff's Follow-up Recommendations
<u>IV. Transmission and Distribution Operations</u>				
Develop an improvement plan to ensure that the Commission's rolling three-year standards for Customer Average Interruption Duration Index (CAIDI) and System Average Interruption Duration Index (SAIDI) are met.	April 2008	IV-1	West Penn has reduced its SAIDI and CAIDI reliability indices to levels that are better than the rolling three-year standards.	None.
Sufficiently staff the lineman positions in all districts and conduct a study to determine best utilization practices for contractors and Company linemen for projects beyond core workload.	June 2008	IV-2	Lineworkers at West Penn service centers are understaffed resulting in overtime levels consistently over 20 percent.	Enhance efforts to properly staff field operation staffing levels at each Service Center and strive to limit the number of employees working excessive amounts of overtime.
Develop appropriate preventative techniques and capital improvements that target improvement in the performance of the repeating worst performing circuits.	April 2008	IV-3	West Penn has greatly reduced the number of repeating worst performing circuits.	None.
Ensure that all pole inspections are properly recorded.	Jan. 2009	IV-4	West Penn is properly tracking its pole inspections.	None.

**WEST PENN POWER MANAGEMENT EFFICIENCY INVESTIGATION
SUMMARY OF JANUARY 2008 MANAGEMENT AUDIT RECOMMENDATIONS
AND STAFF'S FOLLOW-UP FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

Public Utility Commission Bureau of Audit's Prior Recommendations	Originally Targeted Completion Date	MEI Finding Number	Staff's Follow-up Findings and Conclusions as of January 18, 2011	Staff's Follow-up Recommendations
<u>IV. Transmission and Distribution Operations (continued)</u>				
Develop a capital prioritization algorithm to determine which capital projects assigned the same priority level should be undertaken first.	June 2008	IV-5	The Company developed a prioritization matrix to rank all capital projects accordingly.	None.
Enhance the capital budget exception reporting process.	Completed before final report.	IV-6	West Penn implanted SAP and SAP Business Warehouse software to track and monitor capital spending.	None.
Investigate all incidents where oil circuit recloser counts show abnormal usage and determine if this is due to improper maintenance or inaccurate record keeping, and take corrective action as appropriate.	Mar. 2008	IV-7	Reclosers are now changed based on time intervals, therefore, OCR field reading counts are no longer obtained.	None.
Monitor the results of the pilot program of reducing the use of porcelain cutouts and, based on the analysis, implement an action plan as appropriate.	Completed before final report.	IV-8	West Penn's cutout pilot program did not uncover any problems with porcelain cutouts, but nevertheless the Company has switched to the installation of polymer cutouts.	Continue to evaluate the feasibility of a plan to replace the porcelain cutouts in West Penn's system.

**WEST PENN POWER MANAGEMENT EFFICIENCY INVESTIGATION
SUMMARY OF JANUARY 2008 MANAGEMENT AUDIT RECOMMENDATIONS
AND STAFF'S FOLLOW-UP FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

Public Utility Commission Bureau of Audit's Prior Recommendations	Originally Targeted Completion Date	MEI Finding Number	Staff's Follow-up Findings and Conclusions as of January 18, 2011	Staff's Follow-up Recommendations
<u>V. Emergency Preparedness</u>				
None.		V-1	West Penn has comprehensive physical security, cyber security, emergency response, and business continuity plans, and these plans are tested and updated annually.	None.
<u>VI. Customer Service</u>				
Initiate the policy and procedure changes necessary to enable accurate accounting of West Penn recoveries from collection agencies of finaled accounts.	Completed before final report.	VI-1	Allegheny Power has changed its outside collection agency reporting to reflect operations by state jurisdiction.	None.
Pursue achieving a gross 15% return on behalf of West Penn on finaled accounts placed with collection agencies.	Rejected	VI-2	West Penn is achieving reasonable collection success.	None.
<u>VII. Diversity</u>				
File the PUC Annual Diversity Report according to current guidelines.	Mar. 2009	VII-1	West Penn currently files the Annual Diversity Report according to PUC guidelines.	None.

III. AFFILIATED INTERESTS

Background – The Focused Management and Operations Audit of West Penn Power Company (West Penn or Company) doing business as (d/b/a) Allegheny Power conducted by the Management Audit Division (Audit Staff) of the Pennsylvania Public Utility Commission’s (PUC or Commission) Bureau of Audits released on February 14, 2008, at D-06MGT018, contained three recommendations within the Affiliated Interests functional area. The Audit Staff rated this functional area as needing minor improvement. In this chapter, the three prior recommendations and prior situations are reviewed and three follow-up findings and one recommendation are presented.

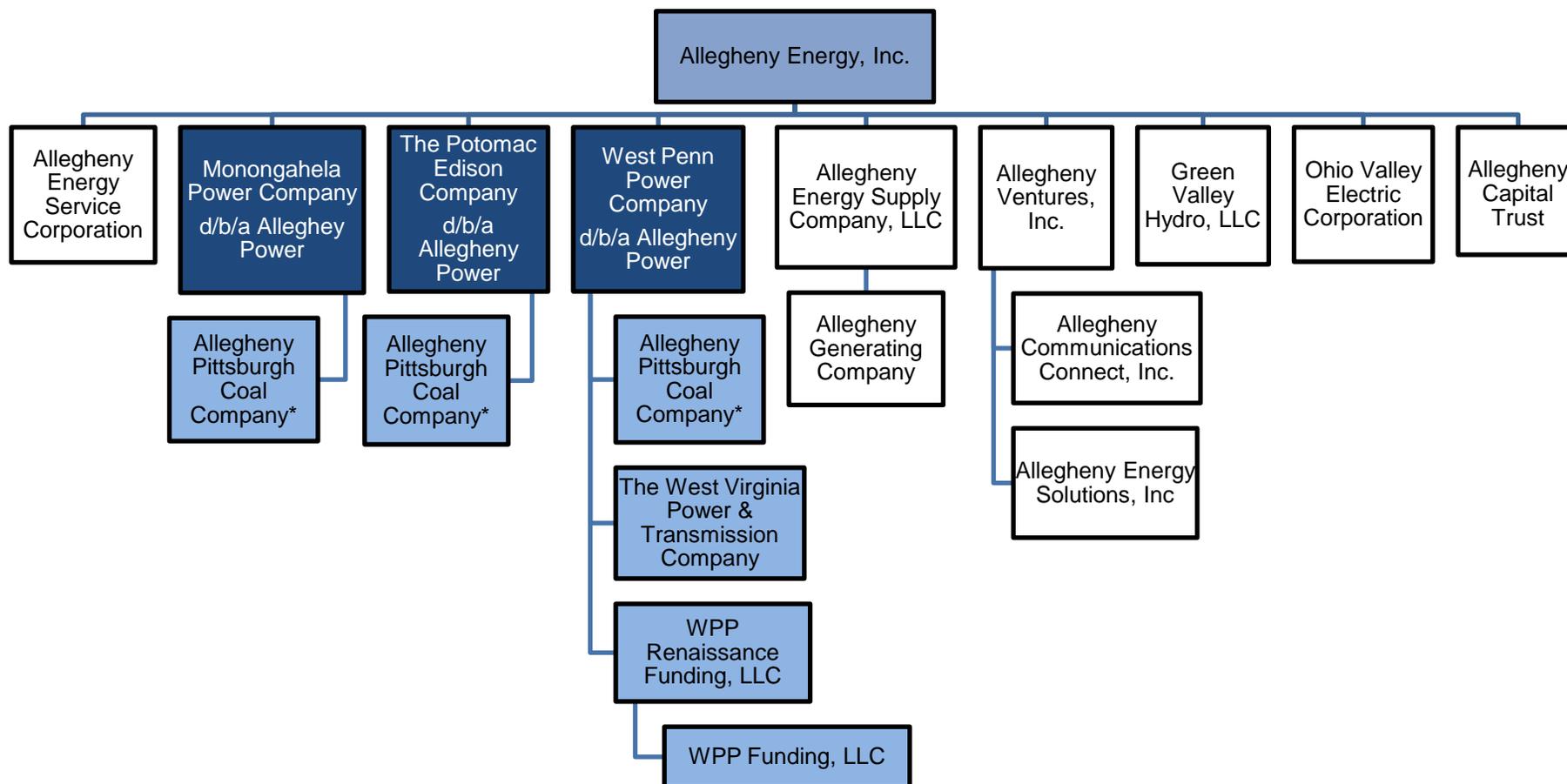
West Penn is a public utility subject to regulation of the PUC and is owned by Allegheny Energy, Inc. (Allegheny Energy) a registered public utility holding company headquartered in Greensburg, Pennsylvania. Allegheny Energy’s corporate structure is shown in Exhibit III-1. In addition to West Penn, Allegheny Energy also directly owns the electric distribution companies (EDCs) Potomac Edison Company (Potomac Edison) and Monongahela Power Company (Mon Power). West Penn fully owns The West Virginia Power & Transmission Company, and WPP Renaissance Funding, LLC which owns WPP Funding, LLC, and has 50% ownership of Allegheny Pittsburgh Coal Company along with Potomac Edison and Mon Power each owning 25 percent. Allegheny Energy also owns several unregulated generation companies and competitive energy supply companies as well as Allegheny Energy Service Corporation (AE Service Corp.) that provides various support services to Allegheny Energy’s EDCs and the rest of the Allegheny Power System affiliates. AE Service Corp. provides administrative services and various other goods and services to Allegheny Energy affiliates, including:

- Finance and Accounting
- Audit Services
- Strategic Planning
- Human resources
- Procurement,
- System Security
- Corporate Communications
- External Affairs
- Legal Services
- Regulatory Services
- Risk Management

At the time of our fieldwork, Allegheny Energy and FirstEnergy Corp. (FirstEnergy) were seeking approvals for an agreement to merge. The Allegheny Energy, Inc. merger would include West Penn, and its affiliated EDCs Potomac Edison and Mon Power, and the rest of the Allegheny Power System affiliates.²

² The merger of Allegheny Energy, Inc. and First Energy subsequently closed on February 25, 2011.

Allegheny Energy, Inc. Corporate Structure As of January 2011



* Allegheny Pittsburgh Coal Company is 25% owned by Monongahela Power Company, 25% owned by The Potomac Edison Company and 50% owned by West Penn Power Company

Source: Data Request 2

Prior Recommendation – Charge Allegheny Communications Connect (ACC) a rate for pole attachment fees that is consistent with the rates charged to non-affiliated customers.

Prior Situation – West Penn allowed ACC, an affiliate, to attach fiber optic cables on the Company's poles beginning July 31, 1997. With these fiber optic cables, ACC provided Ethernet service to West Penn and non-affiliated companies. From July 31, 1997 through May 2002, West Penn charged ACC an annual pole attachment fee of \$24.25 per pole that was purportedly based on a market price analysis. Allegedly to comply with the Security and Exchange Commission's (SEC) "at cost methodology", starting April 24, 2002, West Penn changed the fee charged to ACC to \$4.77 per pole. In contrast, ACC's billing to West Penn for Ethernet service was never based on cost but instead on a blend of retail rates found within Allegheny Energy's service territory.

West Penn also allowed non-affiliated customers to lease space on its poles. The Audit Staff reviewed invoices issued in 2006 to two non-affiliated customers which revealed the charges were much higher than what ACC was being charged.

The Energy Policy Act of 2005, in effect superseded the Public Utility Holding Company Act of 1935 and as a result the responsibility of authorizing allocation procedures and determining whether affiliated charges are fair and equitable was no longer an SEC responsibility. These responsibilities were instead divided between the individual states and the Federal Energy Regulatory Commission (FERC). Consequently, based on competitive safeguard principals, the Audit Staff deduced that going forward West Penn should charge the same billing rate per pole for affiliated and non-affiliated customers. Therefore, the Audit Staff recommended that West Penn charge ACC the same rate as charged to its non-affiliated customers.

Follow-up Finding and Conclusion No. III-1 – ACC no longer has any non-affiliated public customers.

As of December 31, 2009, ACC had sold all of its public customers to NTELOS of West Virginia, Inc. (NTELOS), a company not affiliated to West Penn, and has abandoned its Certificate of Public Convenience from the PUC to provide telecommunication services to non-affiliated public customers. Instead, NTELOS now holds a Certificate of Public Convenience from the Commission to provide this service to the public. Beginning December 2, 2010, West Penn is charging NTELOS a fee of \$35.80 per pole attachment. This rate was established using the Federal Communications Commission telecom pole attachment rate formula.

Starting in 2010, ACC only provides Ethernet service to affiliated companies, as explained in Follow-up Finding and Conclusion No. III-3. Based on the current services provided by ACC, the Audit Staff no longer has concerns about the attachment fees being billed to ACC by West Penn.

Staff's Follow-up Recommendation – None.

Prior Recommendation – Abide by the terms in West Penn’s Pole and Tower Attachment License Agreement to bill and collect pole attachment rental fees when due.

Prior Situation – West Penn had not been issuing timely invoices to ACC and other non-affiliated customers for pole attachment fees. West Penn delayed its billing for several periods due to inaccurate pole counts. Each billing was for a six month timeframe period.

The Audit Staff recommended that West Penn issue invoices for pole attachment fees on a timely basis to avoid delays in cash flow and minimize unnecessary interest expense with a semi-annual or annual billing period for all pole attachment customers. For example, the lost interest expense due to two billing periods that ACC owed West Penn Power was \$4,334 annually based on the money pool rate at that time of 5.05%. Similarly, the lost interest expense due to non-affiliated billing delays was \$22,106 annually.

Follow-up Finding and Conclusion No. III-2 – West Penn has been issuing timely invoices for pole rental fees to both affiliated and non-affiliated customers.

The Company has been issuing timely invoices for semi-annual and annual billing periods depending on the situation of the company being billed, since 2009. Changes to promote timely billing began after receipt of the prior management audit report and the implementation of the SAP Enterprise Resource Planning system in 2008. The SAP system implementation included the customization of the Facilities Information System (which tracks pole connections), Accounts Receivable, Sales & Distribution, and Purchasing modules.

Our review found that since 2009 West Penn has been timely billing on either an annual or semi-annual basis depending on the number of poles utilized and/or charges due for all pole rentals. Due to timely billing, the Company no longer incurs interest expenses, or time value of money losses, due to delays in pole attachment billings.

Staff’s Follow-up Recommendation – None.

Prior Recommendation – File an affiliated interest agreement with the Commission requesting approval for the goods and services being provided by West Penn to ACC and provide an analysis of the pricing structure of those goods and services.

Prior Situation –The Commission’s authority to approve contracts between public utilities and their affiliates comes under the general authority to regulate public utilities in the Commonwealth, 66 C.S. §2102(a) which, in part, states:

No contract or arrangement providing for the furnishing of management, supervisory, construction, engineering, accounting,

legal, financial, or similar services, and no contract or arrangement for the purchase, sale, lease, or exchange of property, right, or thing or for the furnishing of any service, property, right or thing other than those above enumerated, made or entered into after the effective date of this section between a public utility and any affiliated interest shall be valid or effective unless and until such contract or arrangement has received the written approval of the commission.

As previously discussed in Follow-up Finding and Conclusion No. III-1, ACC (a West Penn affiliate) was providing Ethernet service to West Penn and non-affiliated third party customers. ACC's fiber optic cable was attached to West Penn poles, and AE Service Corp. employees maintain the cable; therefore, West Penn earned rental income and recovered labor costs from ACC. Likewise, through its payments to AE Service Corp., West Penn paid for Ethernet Service from ACC.

An affiliated interest agreement had been filed with the Commission stating that West Penn was receiving Ethernet service from ACC but it did not include an explanation of the cost of service or payments to ACC. No affiliated interest agreement had been filed explaining what types of goods and/or services were provided by West Penn to ACC or the related costs and charges. The Commission had not been informed that:

- A pole rental agreement was signed on July 31, 1997 allowing an attachment of ACC's fiber optic cable to a West Penn pole for an annual fee of \$24.25 per pole.
- The pole rental agreement was changed on April 24, 2002, allegedly to conform to the former SEC cost rules resulting in a decrease to \$4.77 per pole annual fee.
- West Penn crews were maintaining ACC's fiber optic cable attachments.

Furthermore, goods and services were being provided by West Penn on behalf of ACC for which an affiliated interest agreement should have been submitted to the Commission for review and approval. In addition to the goods and services being provided to and from the two affiliates, the Commission should also have been provided a description of how the costs would be determined and charged to and from the jurisdictional utility.

Consequently, the Audit Staff recommended that West Penn submit an affiliated interest agreement to the Commission that details the transactions occurring between the Company and any of its affiliates.

Follow-up Finding and Conclusion No. III-3 – West Penn has not filed an updated affiliate interest agreement to the Commission for review and approval of the goods and services being provided to ACC.

Pending completion of the Allegheny Energy and FirstEnergy merger discussed in the background section of this chapter, ACC and West Penn have indicated plans to transfer ownership of ACC's Pennsylvania hard assets (i.e., the fiber assets) to West Penn. If ACC's hard assets are transferred to West Penn, there would no longer be a need to submit an affiliated interest agreement for review and approval. However, per 66 C.S. §2102(a), the contract or arrangement for the purchase, sale, lease, or exchange of property with ACC would need to be approved by the Commission.

Nevertheless, as of January 2011, West Penn was still conducting transactions with an affiliate that was not previously approved by the PUC. Furthermore, should similar relationships be created with new affiliates in the future, these new affiliate transactions must be identified and filed with the Commission for review and approval through an appropriate affiliated interest agreement.

Staff's Follow-up Recommendation – File an appropriate affiliated interest agreement for transactions between West Penn and ACC; or, depending on changes that occur as a result of the pending merger with FirstEnergy, file for approval of the asset transfer from ACC to West Penn or any other affiliated transactions that may occur.

IV. TRANSMISSION AND DISTRIBUTION OPERATIONS

Background – The Focused Management and Operations Audit of West Penn Power (West Penn or Company) doing business as (d/b/a) Allegheny Power conducted by the Management Audit Division (Audit Staff) of the Pennsylvania Public Utility Commission’s (PUC or Commission) Bureau of Audits released on February 14, 2008, at D-06MGT018, contained nine recommendations regarding the Transmission and Distribution functional area. The Audit Staff rated this functional area as needing significant improvement. In this chapter, eight prior recommendations and prior situations are reviewed and eight follow-up findings and one recommendation are presented.

Prior Recommendation – Develop an improvement plan to ensure that the Commission’s rolling three year standards for Customer Average Interruption Duration Index (CAIDI) and System Average Interruption Duration Index (SAIDI) are met.

Prior Situation – On May 7, 2004, at Docket No. M-00991220, the Commission adopted amendments to the electric reliability reporting requirements as well as the benchmarks and standards which measure electric distribution company (EDC) reliability performance. EDCs are required to measure and report their performance to the Commission via three indices on a quarterly and annual basis in comparison to the benchmarks and standards established for each EDC. The established electric reliability indices measure the frequency and duration of outages at the system or customer level, excluding outages associated with major events. It is important to note that lower values are indicative of better performance when reviewing these reliability indices. Definitions of the various terms used in reliability measurement are as follows:

- CAIDI – The average interruption duration of sustained interruptions for those customers who experience interruptions during the analysis period. CAIDI represents the average time required to restore service to the average customer per sustained interruption (more than five minutes). It is determined by dividing the sum of all sustained customer interruption durations, in minutes, by the total number of interrupted customers.

Mathematically:

$$CAIDI = \sum \text{Customer interruption minutes} / \sum \text{Customers interrupted}$$

- System Average Interruption Frequency Index (SAIFI) – The average frequency of sustained interruptions per customer occurring during the analysis period. It is calculated by dividing the total number of sustained customer interruptions by the total number of customers served.

Mathematically:

$$\text{SAIFI} = \sum \text{Customers interrupted} / \text{Total number of customers}$$

- SAIDI – The average duration of sustained customer interruptions per customer occurring during the analysis period. It is the average time customers were without power. It is determined by dividing the sum of all sustained customer interruption durations, in minutes, by the total number of customers served.

Mathematically:

$$\text{SAIDI} = \sum \text{Customer interruption minutes} / \text{Total number of customers}$$

$$\text{Also, SAIDI} = \text{CAIDI} * \text{SAIFI}$$

- Benchmark – An objective level of performance that an EDC should strive to achieve and maintain. As it is currently established, the benchmark represents the statistical average of the EDC's annual, system wide, reliability performance index values for the five year time period from 1994 to 1998.
- Standard – A numerical value that represents the minimal acceptable performance allowed for each reliability index for a given EDC. Performance standards are based on the established benchmark. The standard is the level of performance beyond which the company must either justify its poor performance or provide information on corrective measures it will take to improve performance. There are two standards:

Rolling 12-month standard – 120% of benchmark (for major EDC's)

Rolling 3-year standard – 110% of benchmark (beginning April 30, 2007)

- Major event – Either an interruption beyond the control of the EDC which affects at least 10% of the customers in the EDC's service territory during the course of the event for a duration of five minutes each or greater, or an unscheduled interruption of electric service resulting from an action taken by an EDC to maintain the adequacy and security of the electrical system.

West Penn's CAIDI, SAIFI and SAIDI targets and actual performance for 2002 through 2006 are summarized on Exhibit IV-1. As shown in Exhibit IV-1, West Penn had achieved its CAIDI and SAIDI standards since they became effective in 2004 through 2006; however, West Penn was not able to succeed in meeting the CAIDI and SAIDI rolling three-year standards that became effective in April 30, 2007. Since SAIDI is the mathematical product of CAIDI and SAIFI, and West Penn's SAIFI performance was within the three-year standard, the CAIDI performance (which itself was higher or

worse than the standard) was ultimately driving the SAIDI value to be higher than the three-year standard. The causes of the high CAIDI levels were the same as the drivers of the high SAIDI levels for the three-year performance, and these drivers included:

- Staffing Levels
- Emergency Response Procedures
- Shift work scheduling

Exhibit IV - 1
West Penn Power Company
Reliability Standards, Benchmarks, and Actual Performance
2002 – 2006

	Index		
West Penn Performance	CAIDI	SAIFI	SAIDI
Rolling 12-month standard	204	1.26	257
Rolling 3-year standard	187	1.16	217
Benchmark	170	1.05	179

	Year					
WPP Performance	2002	2003	2004	2005	2006	Rolling 3 yr. 2004-2006
CAIDI	200	217	190	195	185	190
SAIFI	1.19	1.25	1.13	1.15	1.16	1.15
SAIDI	237	270	216	224	215	219

Note - Bolded values do not meet the current performance standards
Source: Exhibit VII-2 of Prior Management Audit

The Audit Staff suggested that West Penn should work with the PUC’s Bureau of Conservation, Economic, and Energy Planning to develop a plan to ensure that the rolling three year standards for CAIDI and SAIDI are achieved.

Follow-up Finding and Conclusion No. IV-1 – West Penn has reduced its SAIDI and CAIDI reliability indices to levels that are better than the rolling three-year standards.

West Penn achieved a significant improvement in its reliability indices from 2006 through 2009. As displayed in Exhibit IV-2, the rolling three-year performances for 2009 were 181 and 208, respectively for CAIDI and SAIDI. CAIDI dropped from 208 to 168 from 2007 to 2008, a decrease of 19.2%, and slightly decreased again in 2009 to 166. West Penn has performed notably better regarding SAIFI and SAIDI as well.

Exhibit IV - 2
West Penn Power Company
Reliability Indices Actual Performance
2007 – 2009

WPP Performance	CAIDI	SAIFI	SAIDI
2007 Performance	208	1.29	268
2008 Performance	168	1.16	195
2009 Performance	166	0.97	161
Rolling 3 Yr. Performance	181	1.14	208
Rolling 12 Mo. Standard	204	1.26	257
Rolling 3 Yr. Standard	187	1.16	217
Benchmark	170	1.05	179

Source: PUC Reliability Reports

In addition to the measures set forth by the PUC, West Penn established various supplementary goals of their own to enhance its reliability performance. The Company created three supplementary goals relating to reliability, more specifically:

- Corporate reliability goals consisting of CAIDI and SAIFI targets
 - CAIDI (12 month) = 150
 - SAIFI (12 month) = 1.20
- Storm event CAIDI and non-storm CAIDI.
 - Storm CAIDI = 241
 - Non-Storm CAIDI = 121
- Regional SAIFI goals.³ A SAIFI goal is assigned to each region and its engineer as displayed in Exhibit IV-3.

Staff's Follow-up Recommendation – None.

Exhibit IV - 3 West Penn Power Company Planning Region – Target SAIFI	
Planning Region	Target SAIFI
Engineer 1	1.02
Engineer 2	1.18
Engineer 3	1.60
Engineer 4	1.62
Engineer 5	1.02
Engineer 6	1.05
Engineer 7	0.91
Engineer 8	1.13
Engineer 9	2.00
Engineer 10	1.12
Engineer 11	1.36
Engineer 12	1.31
Engineer 13	0.95
Engineer 14	1.09
Engineer 15	1.34
TOTAL	1.20

Source: Data Request No. 65

³ Target SAIFI goals are based on each region's historical average SAIFI performance.

Prior Recommendation – Sufficiently staff the linemen positions in all districts and conduct a study to determine best utilization practices for contractors and Company linemen for projects beyond core workload.

Prior Situation – The Company had conducted a staffing study in 2006. The study calculated the projected number of lineworkers needed for the anticipated workloads. The projections were based on a function of productive man-hours. Non-productive time such as job training, safety training, sick days, and holidays were factored in as well by using estimates based on historical values. Additionally, shift work was considered to be only partially productive. The 2006 staffing study determined a need for more lineworkers, due in part to anticipated retirements and the future workload. Adding linemen would not immediately solve a shortage due to the fact that it takes approximately four and one-half years for the average lineworker to be considered fully trained and qualified to work on their own (as a result much of a new employee’s time is considered non-productive).

The results of the 2006 staffing study are summarized on Exhibit IV-4. Minimum shortages assumed that lineworkers would be utilized for core work only (i.e., structured maintenance, small capital projects, routine service extensions, and restoration of service work). Maximum shortages assumed that lineworkers would also be utilized on capital work projects in addition to core work.

**Exhibit IV - 4
West Penn Power Company
2006 Staffing Level Study**

	Year				
	2007	2008	2009	2010	2011
Expected # Lineworkers	294	309	310	312	310
Expected # Retired	12	4	6	9	5
Expected # Replaced	27	5	8	7	5
Linemen Needed					
Max Needed *	320	332	326	328	330
Min Needed **	303	311	307	308	310
Max Shortage	26	23	16	16	20
Min Shortage	9	2	-3	-4	0

* Based on potential jobs occurring in addition to core work

** Based on core work only

Source: 2006 Management Audit Exhibit VII-7

The Company’s 2006 staffing study projects its future staffing needs. However, the Audit Staff attempted to determine if historical staffing levels were appropriate. The 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. West Penn stated that they planned for approximately 15% overtime by lineworkers when considering staffing needs each year. However, the majority of service centers had experienced more than 15% overtime during the historical period. West Penn's historic staffing and overtime levels, by service center, from 2000 to 2006 are summarized on Exhibit IV-5. The Audit Staff suggested that, in addition to sufficiently staffing linemen in all districts, the Company should study the best practices for utilizing contractors and lineworkers to eliminate excess overtime.

**Exhibit IV - 5
West Penn Power Company
Historic Staffing Levels - Operations
2000 – 2006**

Service Center	2000		2001		2002		2003		2004		2005		2006	
	#EE	OT												
Arnold	33	16%	32	15%	30	21%	30	23%	24	26%	25	23%	25	20%
Boyce	19	22%	21	20%	17	29%	18	26%	18	27%	19	26%	15	23%
Butler	27	13%	26	16%	24	22%	25	26%	25	27%	25	25%	25	23%
Charleroi	32	14%	30	12%	30	17%	29	18%	28	21%	26	22%	25	15%
Clarion	8	9%	8	11%	8	16%	8	22%	8	21%	8	23%	7	17%
Jeannette	29	16%	28	13%	27	16%	26	18%	28	20%	28	21%	26	22%
Jefferson	21	8%	19	10%	18	16%	16	22%	16	22%	16	22%	15	18%
Kittanning	17	7%	14	13%	15	16%	14	21%	13	21%	11	21%	11	19%
Latrobe	18	15%	19	11%	20	18%	20	22%	18	29%	19	28%	18	20%
McConnellsburg	7	10%	6	19%	4	31%	6	22%	7	21%	7	30%	7	22%
McDonald	N/A	N/A	N/A	N/A	5	23%	7	18%	8	12%	9	12%	10	13%
Pleasant Valley	14	13%	14	14%	14	16%	13	19%	13	22%	12	28%	13	18%
St. Mary's	20	9%	20	9%	18	12%	15	19%	14	16%	15	17%	15	14%
State College	29	12%	29	13%	28	21%	27	22%	27	19%	27	23%	29	17%
Uniontown	15	12%	16	13%	15	19%	15	23%	14	24%	16	19%	16	20%
Washington	24	19%	24	16%	22	18%	23	20%	24	18%	22	20%	20	24%
Waynesboro	19	13%	17	15%	16	19%	16	20%	16	19%	17	19%	18	19%
Totals / Avg.	332	14%	323	14%	311	19%	308	21%	301	22%	302	22%	295	19%

Note - highlighted cells indicate overtime over 15%

#EE = Number of Employees

NA – Not applicable; McDonald service center was created in 2002.

Source: 2006 Management Audit, Exhibit VII-8

Follow-up Finding and Conclusion No. IV-2 – Lineworkers at West Penn service centers are understaffed resulting in overtime levels consistently over 20 percent.

In 2009, West Penn performed another staffing study, updated from their 2006 study. Exhibit IV-6 shows the results of this staffing study. After comparing the 2006 and 2009 staffing studies, the Audit Staff noted that the 2009 study showed a decrease from the 2006 study for the minimum number of lineworkers needed in 2010 and 2011. In addition, it can be seen that the following years see a decline in anticipated staffing levels as compared to the preceding study.

**Exhibit IV - 6
West Penn Power Company
2009 Staffing Level Study**

	Year		
	2010	2011	2012
Expected # Lineworkers	271	273	275
Expected # Retired	7	8	8
Expected # Replaced	12	10	10
Linemen Needed			
Minimum Needed **	271	259	278
Minimum Shortage	0	-14	3

** Based on core work only
Source: Data Request No. 35

West Penn explained the difference in the staffing levels needed from the 2006 to 2009 study to be the result of the declining economy. According to the Company, with the weakened economy, West Penn's core workload would decrease. West Penn provided the following narrative to better illustrate the situation:

As an example of Work Plan Man-hours reduction, the 2006 Forecast of 2010 New Service Connections was 9,750. Since then, the overall economy has been in a sustained decline and in particular new home construction has fallen off dramatically resulting in the 2009 Forecast of 2010 New Service Connections of 5,270. This difference (reduction) of 4,480 connections, at an average of 18 hours/connection, results in 80,640 fewer Work Plan man-hours. Other Work Plan drivers such as Maintenance work and assigning Line Workers to non-line productive work (e.g., meter reading) help minimize the overall reduction in Work Plan man-hours eliminated because of New Construction.⁴

The Audit Staff analyzed the overtime incurred by service center and by employee to determine if the new study's proposed staffing addressed the concerns expressed from the Management Audit. The overtime levels for 2007 through 2010 are shown in Exhibit IV-7. At the time of the prior Management Audit, the Company

⁴ Provided in response to Data Request No. 77

indicated that they strive for an overtime level of 15%. Overtime is comprised of both planned and unplanned work. Overtime resulting from unplanned work includes Company specific outage restorations as well as affiliated and unaffiliated mutual assistance support. It is apparent from Exhibit IV-7 that West Penn significantly exceeded 15% for most of its Service Centers for each of the four years. During the years 2008 - 2010, every Service Center exceeded the target overtime levels. As can be seen in Exhibits IV-5 and IV-7, the trend started in 2002 and has continued through 2010. It should also be noted that the actual staffing levels for lineworkers from 2007 to 2010 were less than the minimum estimated need levels in both the 2006 and 2009 staffing studies. In spite of the reduction for planned man-hours for new service connections in 2010, the Company is still experiencing high levels of overtime for lineworkers. WPP's line worker staffing levels decreased from 332 in 2000 to 265 in 2010 or by 20%, which appears to be having an impact on overtime levels.

Exhibit IV - 7
West Penn Power Company
2007 - 2010 Staffing Levels – Operations

Service Center	2007		2008		2009		2010	
	Staffing	OT	Staffing	OT	Staffing	OT	Staffing	OT
Arnold	23	24%	23	25%	20	19%	21	23%
Boyce	17	22%	15	25%	14	22%	14	29%
Butler	25	24%	24	23%	22	18%	21	19%
Charleroi	25	18%	24	20%	23	19%	23	26%
Clarion	8	16%	7	23%	6	18%	6	19%
Jeannette	28	23%	24	23%	24	20%	24	24%
Jefferson	16	21%	15	23%	15	19%	15	24%
Kittanning	12	23%	11	24%	10	23%	10	22%
Latrobe	17	24%	16	28%	15	21%	17	29%
McConnellsburg	7	23%	7	22%	7	23%	6	21%
McDonald	10	15%	11	22%	10	18%	10	22%
Pleasant Valley	13	22%	13	23%	11	24%	12	27%
St. Mary's	15	15%	13	19%	12	19%	12	20%
State College	27	19%	27	20%	25	20%	25	20%
Uniontown	16	23%	14	23%	13	21%	15	26%
Washington	20	24%	20	26%	19	19%	18	28%
Waynesboro	19	18%	18	17%	18	17%	16	18%
Totals / Avg.	298	21%	282	23%	264	20%	265	23%

Note - highlighted cells indicate overtime over 15%
Source: Data Request Nos. 46 and 76

The Audit Staff also examined overtime by individual employee. Exhibit IV-8 displays the top ten highest overtime levels for individual employees from 2007 to 2010. During this period, West Penn's field employees have experienced overtime as high as

72% in one year (including mutual assistance efforts). At these elevated levels of overtime, there is a high 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 the Company, its employees and the public to minimize periods of high overtime for lineworkers as has been routinely occurring at West Penn during the past nine years.

Exhibit IV - 8
West Penn Power Company
Individual Overtime as a Percentage of Regular Hours
2007 – 2010

Rank	2007		2008		2009		2010	
	OT Hours	% Hours*						
1	1,236	59	1,506	72	1,162	56	1,351	64
2	1,122	53	1,263	60	1,084	52	1,249	60
3	1,092	52	1,202	55	1,021	49	1,053	50
4	1,079	52	1,142	54	1,006	48	1,030	49
5	1,059	51	1,139	54	972	47	1,025	49
6	1,047	50	1,114	52	905	43	1,000	48
7	1,019	49	1,073	51	889	42	935	46
8	1,006	48	1,072	51	884	42	949	45
9	962	46	1,027	49	864	41	913	45
10	909	43	988	47	844	40	934	44

* Percentage represents ratio of OT hours to standard annual hours.
Source: Data Request No. 46

Although the new staffing study considered changes in workload due to a decline in new service connections, the Audit Staff still believes that the concerns expressed in the Management Audit remain. West Penn should address both high overtime levels per district and per employee by utilizing staffing increases, changes to shift work, changes to call out procedures, or other methods which will minimize high overtime levels. Additionally, a projection of mutual assistance efforts should be included in overtime planning and ongoing management practices.

Reducing overtime levels should result in reduced operating costs, improvements in operational effectiveness and reductions in injuries. West Penn pays time and a half for overtime hours and based on the average straight time rate of \$26.31 per hour (average of Linemen A and B and Lead Lineman) plus an overhead rate of 42.86% results in an average loaded overtime cost per hour of approximately \$37.586. Based on West Penn's 127,994 hours of overtime in 2010, its overtime cost was approximately \$7.2 million (127,994 hours x \$37.586 x 1.5 = \$7,216,000). Had West Penn reduced the overtime for line workers to 15%, it would have saved approximately \$2.7 million (534,747 hours of straight time x 15% x \$37.586 x 1.5 = \$4,522,000 and \$7,216,000 – \$4,522,000 = \$2,694,000). Placing linemen on different shifts and/or hiring additional lineworkers to reduce overtime hours could reduce the savings by approximately 50% resulting in a net potential annual savings of approximately \$1.3 million.

Staff's Follow-up Recommendation – Enhance efforts to properly staff field operation staffing levels at each Service Center and strive to limit the number of employees working excessive amounts of overtime.

Prior Recommendation – Develop appropriate preventative maintenance techniques and capital improvements that target improvement in the performance of the repeating worst performing circuits.

Prior Situation – To rank circuit performance, West Penn utilized the Distribution Circuit Interruption Index (DCII). This algorithm combines the PUC's three required reliability indices (SAIFI, SAIDI, and CAIDI) and a fourth reliability index, the Average Service Availability Index (ASAI) which is the percentage of time that service was actually available to customers. To better understand DCII, the calculations are provided:

$$\begin{aligned} SF &= 1 - (0.3 \times (\text{Actual SAIFI} / \text{Average SAIFI})) \\ SD &= 1 - (0.3 \times (\text{Actual SAIDI} / \text{Average SAIDI})) \\ CD &= 1 - (0.3 \times (\text{Actual CAIDI} / \text{Average CAIDI})) \\ ((SF + SD + CD) / 3) \times ASAI \times 100 &= DCII \end{aligned}$$

Exhibit IV-9 shows West Penn's worst performing circuits with three or more annual appearances from the Management Audit report. As can be seen in Exhibit IV-9, many of the circuits were present on the list for more than three years. The Audit Staff also noted that when some circuits were dropped off the list, they would reappear back on the list shortly thereafter.

The Company agreed that some of these circuits were in need of rehabilitation; however, they stated that some of the circuits appearing on the list were more indicative of repeated sizable storms which did not qualify as major events (i.e., outages that qualify as a major event can be excluded from an electric distribution company's reported reliability performance), especially in certain areas of West Penn's service territory. For these circuits, there may have not been any planned rehabilitation.

Exhibit IV - 9
West Penn Power Company
Worst Performing Circuits with Three or More Annual Appearances
2001 – 2006

Years on Worst Performing List	Service Center	Substation	Circuit	Location
2002, 2005-2006	Arnold	All Dam No. 5	Schenley	Southwest PA
2003-2006	Arnold	Tunnelton	Tunnelton Dist	Southwest PA
2003-2006	Boyce	Cecil	Murray Hill	Southwest PA
2003, 2005-2006	Butler	Buena Vista	Hooker	Southwest PA
2004-2006	Butler	Cooperstown	Cooperstown	Southwest PA
2002, 2005-2006	Charleroi	Bentleyville	Ellsworth	Southwest PA
2004-2006	Jeannette	Huntingdon	Scotch Hill	Southwest PA
2002, 2005-2006	Jefferson	Franklin	Rogersville	Central PA
2003-2006	Jefferson	Rutan	Bristoria	Central PA
2003, 2005-2006	McDonald	Hickory	Hickory	Southwest PA
2002, 2005-2006	St. Marys	Weedville	Byrnedale	Central PA
2002, 2005-2006	State College	Thompson Farm	Toftrees	Central PA
2002, 2004-2006	State College	Waterville	Waterville	Central PA
2004-2006	Washington	Amity	Amity	Southwest PA
2003, 2005-2006	Washington	Galley	Waterdam	Southwest PA
2002, 2005-2006	Washington	Houston	Chartiers	Southwest PA

Source: 2006 Management Audit, Exhibit VII-11

Follow-up Finding and Conclusion No. IV-3 – West Penn has greatly reduced the number of repeating worst performing circuits.

To evaluate West Penn's progress in rehabilitating its worst performing circuits, the Audit Staff initially reviewed the PUC Reliability Reports submitted to the Commission's Bureau of Conservation, Economic, and Energy Planning (CEEP) for the years 2007 through 2009. Data related to 2010 was later incorporated into our analysis once the 2010 worst performing circuit list was submitted to CEEP in early 2011. Exhibit IV-10 details the repeat offender circuits for the years 2007 - 2010 that appeared three or more times on the ten worst performing circuit list.

As shown in Exhibit IV-10, during the four year period 2007 through 2010 only three circuits appeared on the list for three or more years. This is a reduction from 16 circuits during the 2006 Management Audit. Of the three circuits, two circuits (i.e., State College and Jefferson) are repeats from the time of the Management Audit. West Penn explained these continuing occurrences as follows:

Exhibit IV – 10
West Penn Power Company
Worst Performing Circuits with Three or More Annual Appearances on the
Ten Worst Performing Circuit List
2007 – 2010

Years on Worst Performing List	Service Center	Substation	Circuit	Location
2007, 2008, 2010	Charleroi	Vanceville	Vanceville	Southwest, PA
2007-2010	Jefferson	Rutan	Bristoria	Central, PA
2007-2010	State College	Waterville	Waterville	Central, PA

Source: Data Request No. 59

Jefferson – Rutan – Bristoria – The circuit experienced a lot of tree, overhead wire, unknown, wind and public customer/foreign equipment related outages. The Company re-conducted portions of the line. Tree trimming and vegetation management took place in 2008 and 2009; which in return improved CAIDI. The Company also added a local material storage facility in proximity to the circuit to facilitate outage restoration.

State College – Waterville – Waterville – The circuit is fed from a foreign utility. Alternate supply options are limited in this case. Distribution generation was considered but not economical. Isolating points and fault indicators were added as part of the CAIDI improvement program.

The Company also added that the areas in question were populated by “seasonal” customers and the properties are vacant for most of the year rather than full-time residents. West Penn believes any major repairs or replacements would be uneconomical compared to continuing to invest in improving reliability in other areas that has proven beneficial in reducing the reliability indices in recent years.

Staff’s Follow-up Recommendation – None.

Prior Recommendation – Ensure that all pole inspections are properly recorded.

Prior Situation – From the 2006 Management Audit, West Penn had a significant number of poles with no record of inspection date (i.e., 40,166 poles out of a total of 483,584 or about 8% did not have a previous inspection date). A number of these poles were new poles and therefore would not have a previous inspection date. However, according to the Company, the vast majority of the poles with no record of inspection were on subtransmission lines, 25 kV to 46 kV. In the past these poles were inspected but were not specifically tracked by each line since they are often built with several distribution circuits.

The Audit Staff reviewed a sample of the records for poles without previous inspection dates and confirmed that there were inspection records for the poles sampled; however, the date of the inspection was not transferred to the master list. The Company stated that in 2000 it began to accurately record the last inspection date for each pole in a particular circuit; however, a complete inventory for every circuit would take time since the inspection cycle is 12 years long.

Follow-up Finding and Conclusion No. IV-4 – West Penn is properly tracking its pole inspections.

As of 2007, the Company began to track all inspection dates. As of 2010, West Penn has over 700,000 poles in its service territory. Inspection data is provided by West Penn contractors in electronic format. The data is then retained in a database and linked within West Penn's Automated Mapping/Facilities Management System.

The Audit Staff requested pole inspection records to be provided for a random district (i.e., Waynesboro) to facilitate the review of a sample of recent pole inspection dates and future inspection dates. A total of 9,741 poles were included and all poles had last (or most recent) and future inspections dates recorded. The pole inspection cycle for this area is 12 years.

West Penn has its distribution pole inspections audited annually. Currently, distribution pole inspection audits consist of approximately one percent of the inspected population. The one percent is selected randomly. The audits are conducted jointly by a supervisor from the contracted inspection company and a West Penn employee. When the poles are visited for an audit, previous inspections are reviewed for accuracy and any discrepancies are documented.

Staff's Follow-up Recommendation – None.

Prior Recommendation – Develop a capital prioritization algorithm to determine which capital projects assigned the same priority level should be undertaken first.

Prior Situation – West Penn ranked its pending capital projects on a priority scale of one to ten. Each ranking was determined by assessing whether the project had at least one of the several risk factors uniquely assigned to that particular rank. Although West Penn was using a capital ranking system, many projects were grouped into the same priority level. Within the priority level the projects comparative rankings were disregarded. There was no algorithm used to rank the projects within the same priority level. It would be practical to rank projects in a prioritized manner because not all capital projects may be completed during the current budget period or construction season within a priority level due to a limited capital budget. Without a systematic inter-level ranking, the Company subjectively determined which projects will be included in the next budget year.

Follow-up Finding and Conclusion No. IV-5 – The Company developed a prioritization matrix to rank all capital projects accordingly.

Allegheny Power formed a High Performance Organization (HPO) in early 2007 to address Allegheny Power's capital project prioritization methodology. The HPO team recommended a methodology for prioritizing major, non-mandatory individual projects. Enhancements to Allegheny Power's capital budget system were completed to retain the project prioritization data needed to calculate the prioritization ratings. Training on the recommended methodology and system enhancements were provided during the 2008 capital budget process. The prioritization matrix was populated and decisions related to capital budget funding of these projects with spending in 2008 were completed through this project prioritization process.

The matrix consists of a two step approach; the reason code and the value adders. First, a project is assigned the reason code. The reason code generates a multiplier related to the priority of the base project. Generally, the value relates to the severity of the project. Exhibit IV-11 provides a list of reason codes and their respected multipliers assigned to specific projects. The Company also indicated that former or previous projects receive a high base priority value compared to newer proposed projects. It can be seen in Exhibit IV-11 that the highest priority projects include those involving Mandatory and Carve Out tasks; while various load related assignments are of the least concern. Second, the value adders address the projects receiving the equivalent rankings. The adders differentiate projects based on several measures. These measures include avoided or improved SAIDI, internal rate of return, percent base loading, per unit voltage, regulatory expectations, compliance with minimum company standards, and customer satisfaction. The value adders listed in Exhibit IV-12; are either a multiplier or weight. The final product of the reason code and value adders is the Project Prioritization Number.

**West Penn Power Company
Prioritization Matrix – Reason Codes**

Reason Code		Multiplier
Base Load Transformers	Base Load Trf >120%	300
	Base Load Trf > 110%	300
	Base Load Trf > 100%	300
	Base Load Trf > 90%	250
	Base Load Trf > 80%	200
	Base Load Trf < 80%	150
Overstressed Equipment	Overst Equip> 1.2 ph-pnd fault duty	400
	Overst Equip> 1.1 ph-pnd fault duty	350
	Overst Equip> 1.0 ph-pnd fault duty	300
	Overst Equip< 1.0 ph-pnd fault duty	100
Base Load Conductor	Base Load Cond > 120%	300
	Base Load Cond > 110%	300
	Base Load Cond > 100%	300
	Base Load Cond > 90%	250
	Base Load Cond > 80%	200
	Base Load Cond < 80%	150
Base Load Voltage	Base Load Voltage < 0.90pu	400
	Base Load Voltage < 0.95pu	300
	Base Load Voltage < 1.00pu	200
Base Load Future Area	Base Load Future Area	200
Environmental	Oil Spill Risk – High	400
	Oil Spill Risk – Medium	300
	Oil Spill Risk – Low	200
	PCB/Compound Item – Yes	400
	Environmental - High	400
	Environmental – Medium	300
	Environmental - Low	200
Health/Safety and Security	Health/Safety/Security - High	400
	Health/Safety/Security – Medium	300
	Health/Safety/Security – Low	200
Contingency Load Transformers	Contingency Load Trf > 120%	250
	Contingency Load Trf > 110%	225
	Contingency Load Trf > 100%	200
	Contingency Load Trf > 90%	75
	Contingency Load Trf > 80%	50
	Contingency Load Trf < 80%	25

**West Penn Power Company
Prioritization Matrix – Reason Codes**

Reason Code		Multplier
Contingency Load Conductor	Contingency Load Cond > 120%	250
	Contingency Load Cond > 110%	225
	Contingency Load Cond > 100%	200
	Contingency Load Cond > 90%	75
	Contingency Load Cond > 80%	50
	Contingency Load Cond < 80%	25
Contingency Load Voltage	Contingency Load Volt < 0.90pu	250
	Contingency Load Volt < 0.95pu	100
	Contingency Load Volt > 0.95pu	50
Other Overloaded Equipment	Other Eqip Overload > 120%	300
	Other Eqip Overload > 110%	300
	Other Eqip Overload > 100%	300
	Other Eqip Overload > 90%	250
	Other Eqip Overload > 80%	200
	Other Eqip Overload < 80%	150
Aged Infrastructure (Critical Health Risk)	CHR – High	400
	CHR – Medium	300
	CHR – Low	200
	Other	200
COM – Base Maintenance	Base Maintenance	400
Carve Out	Buildings – High	5000
	Buildings – Medium	5000
	Buildings – Low	5000
	Technology	5000
	Ventures	5000
Mandatory	PJM T&D	10000
	Regulatory	10000
	RSR	10000
Reliability Improvement	Reliability Improvement – High	400
	Reliability Improvement – Medium	275
	Reliability Improvement - Low	200

Source: Data Request No. 48

Exhibit IV-12
West Penn Power Company
Prioritization Matrix – Value Adders

Value Adder	Weight/Multiplier	Value	
Avoided SAIDI	Multiplier	2	
SAIDI Improvement	Multiplier	20	
Positive Financials (NPV, IRR)	Weight	>20%	20
		>15%	15
		>10%	10
		>5%	5
Non-mandatory Regulatory	Weight	20	
Customer Satisfaction	Weight	10	
Company Guideline	Weight	10	
In-Service Failures	Weight	10	
In Progress Projects	Weight	10	
Base Load	Weight >100%	5	
Per Unit (pu) Voltage	Weight	<0.90	10
		<0.80	150

Source: Data Request No. 48

Allegheny Power's HPO team has designed a matrix to further rank projects of similar ranking. The updated matrix addresses the problem of subjective ranking among capital projects.

Staff's Follow-up Recommendation – None.

Prior Recommendation – Enhance the capital budget exception reporting process.

Prior Situation – As of December 2006, the Company was utilizing a combination of the PeopleSoft and Cognos systems to generate capital project progress reports. Many actual expenditure reports detailing different categories were available from these software packages. However, the categories available for actual expenditure breakdowns only included job type, resource type, location, funding project, work order, plant code, process, and department, among others. Additionally, the Company did its capital budgeting only at a project level and no exception reporting was available.

Capital reports given to the Audit staff lumped budgets into general categories and did not detail variances. These categories were:

- Respond to Service Requests and Cost Borne By Others (RSR & CBBO) – Includes electric service extensions, line relocations, and other customer requested work. Customer contributions are credited against capital expenditures.
- Ensure Reliable Service (ERS) – Includes major capital improvement projects, inspection and maintenance programs, and other work to improve or maintain reliability.
- Restore Service (RS) – Includes work associated with restoring electric service to customers and repairing damaged electrical facilities.
- AP Support Service (Building and Technology) – Includes capital expenditures for building improvements and renovations, tools and test equipment, and technologies.

Due to its limitations in capital reporting, the Company was unable to fully examine the efficiency of its capital planning process.

Follow-up Finding and Conclusion No. IV-6 – West Penn implanted SAP and SAP Business Warehouse software to track and monitor capital spending.

With the implementation of SAP, AG software systems (SAP) during 2007, West Penn's capital budget and expenditures became accessible in SAP and the SAP Business Warehouse. These two systems have enabled the Company to better manage capital variance reporting at both a high level and on a project level basis.

Since 2007, the SAP Business Warehouse has enabled West Penn to provide monthly reporting of its capital budget at many levels. Variance reporting is also being completed monthly at several Company levels. Funding project variance reporting is also available and being used by the project owners to provide monthly variance reports based on project ownership. This variance detail is downloaded from SAP and used for monthly variance reporting meetings. SAP also provides the variance reporting for project managers on a funding project basis. The SAP system can generate the following cost element details for each of the capital projects:

- Labor and Overheads Benefits
- Contract Work
- Materials & Supplies
- Outside Services
- Right-of-Way Vegetation Control (ROWVC)
- Vehicles
- Engineering Overheads
- Rent
- Cost of Removal
- Contribution in aid of construction (CIAC)
- Salvage

The installment of SAP software has enabled West Penn to better track and monitor budgets. Budgets can now be detailed into smaller categories to provide better analyses of where monies are spent and variances that occur. Another advantage is the timeliness of which budget reports can be processed and be accessible to the Company.

Staff's Follow-up Recommendation – None.

Prior Recommendation – Investigate all incidents where oil circuit recloser (OCR) counts show abnormal usage and determine if this is due to improper maintenance or inaccurate record keeping, and take corrective action as appropriate.

Prior Situation – The Company's OCR maintenance was counter-based, meaning that maintenance activities should have occurred after a predetermined number of operations, depending on the OCR model. OCR readings were to be recorded at a minimum of once a year. Some year to year counts were as high as 400 – 800 operations. Although not all OCR types were investigated by the Audit Staff, it was highly doubtful that they would have had that many operations without requiring extra maintenance from the manufacturer. Also, there was inconsistency in the readings taken; some counts had increased and then decreased as if they had been reset, while some did not.

Follow-up Finding and Conclusion No. IV-7 – Reclosers are now changed based on time intervals, therefore, OCR field reading counts are no longer obtained.

As of April 17, 2009, West Penn notified the PUC that it was changing its OCRs maintenance techniques. The Company switched to a time based method to replace reclosers instead of its previous field readings of usage counts. West Penn also inspects reclosers in conjunction with its overhead line and pole inspection cycles. The periodic inspection cycles take place in a six year rotation. Upon inspection, the recloser is given a visual examination and its condition is recorded. In these inspections, visual inspections include the following assessments:

- Lightning arrestor
- Condition of tank and bushings
- By-pass switch
- Any other potential problem (includes verification of proper equipment grounding)

When West Penn switched techniques it eliminated the inconsistencies of counter based OCR's. A time based method enables the Company to follow the manufacturer's specification for OCR replacement or repair. In this manner, West Penn has taken corrective action in relation to maintaining its OCR equipment.

Staff's Follow-up Recommendation – None.

Prior Recommendation – Monitor the results of the pilot program of reducing the use of porcelain cutouts and, based on the analysis, implement an action plan as appropriate.

Prior Situation – A certain brand of porcelain cutouts, an instrument that protects against current surges and overloads, were suspected of being a fire hazard by other electric distribution utilities. Therefore, the Audit Staff inquired about the extent and use of this brand and type of cutout in the West Penn system. West Penn had approximately 130,000 porcelain cutouts in its system from many manufacturers. However, due to the volume of cutouts in its system, the Company was unable to estimate the percentage purchased from the manufacturer of concern.

As of early 2007, West Penn outages due to cutouts were low and the Company had not experienced any serious incidents involving porcelain cutouts. Nonetheless, in early 2006 West Penn had initiated a pilot program of replacing porcelain cutouts in selected areas serving 100 or more customers with polymer cutouts. Once the pilot program was completed the Company planned to determine the existence of and/or the extent of any porcelain cutout problem and proceed accordingly.

Follow-up Finding and Conclusion No. IV-8 – West Penn's cutout pilot program did not uncover any problems with porcelain cutouts, but nevertheless the Company has switched to the installation of polymer cutouts.

As of late 2009, the Company has replaced roughly 29,000 porcelain cutouts with new polymer cutouts, thus leaving 100,000 porcelain cutouts in the system population. Of the remaining 100,000, about half, or 50,000, are specifically the brand of cutout of concern. West Penn indicated that problems with cutouts have a minor effect on SAIDI and SAIFI; current contributions are about 1.6% of SAIDI and 2.6% of SAIFI.

As of January 2011, there are no plans to specifically replace more cutouts of the brand of concern. West Penn continues to evaluate the feasibility of a plan to replace the porcelain cutouts that serve the highest number of customers to reduce the number of customer interruptions due to porcelain cutout failures. In addition, West Penn has revised its material specifications for cutouts so that only polymer cutouts are installed henceforth.

Although West Penn has not experienced the safety problems that have been encountered by other EDCs that have used this particular brand of cutout, the Audit Staff believes the fact that there are safety concerns regarding this brand of cutout merits the need for West Penn to continue to monitor the developments regarding this specific issue.

Staff's Follow-up Recommendation – Continue to evaluate the feasibility of a plan to replace the porcelain cutouts in West Penn's system.

V. EMERGENCY PREPAREDNESS

Background – The Focused Management and Operations Audit of West Penn Power Company (West Penn or Company) doing business as (d/b/a) Allegheny Power conducted by the Management Audit Division (Audit Staff) of the Pennsylvania Public Utility Commission’s (PUC or Commission) Bureau of Audits, released on February 14, 2008, at D-06MGT018, included a review of the Company’s Emergency Preparedness or Security Planning & Readiness as a functional area. The Audit Staff made no recommendations for improvement in this chapter and rated this functional area as meeting expected performance level. Nonetheless, the Audit Staff deemed it prudent to perform an updated review of the Company’s compliance with PUC regulations at 52 Pa. Code Chapter 101 regarding physical security, cyber security, emergency response, and business continuity plans as part of this audit.

In order to protect the Commonwealth of Pennsylvania’s infrastructure and ensure safe, continuous and reliable utility service, effective June 2005, PUC regulations at 52 Pa. Code § 101 (Chapter 101) require all jurisdictional utilities to develop and maintain written physical security, cyber security, emergency response and business continuity plans. Furthermore, in accordance with 52 Pa. Code § 101.1, all jurisdictional utilities are to annually submit a Self Certification Form to the Commission documenting compliance with Chapter 101. This form, available on the PUC website, is comprised of 13 questions as shown in Exhibit V-1.

The Audit Staff reviewed the 2007 to 2010 Self Certification Forms submitted by West Penn to determine the status of its responses. Our examination of the Company’s emergency preparedness included a review of the physical security plan, cyber security plan, emergency response plan, business continuity plan, and all associated security measures. In addition, the Audit Staff performed inspections and a sampling of the Company’s facilities. Due to the sensitive nature of the information that was reviewed, specific information is not revealed in this report but rather the generalities of the information reviewed are summarized.

Follow-up Finding and Conclusion No. V-1 – West Penn has comprehensive physical security, cyber security, emergency response, and business continuity plans, and these plans are tested and updated annually.

The Audit Staff reviewed the Company’s emergency preparedness manuals to verify that proper identification of PUC and other appropriate government agencies’ contacts were sufficient and up to date. All of the Company’s emergency preparedness manuals are written for the entire Allegheny Power territory (Pennsylvania, West Virginia, Maryland, and Virginia) but include details broken down by state, service territory, circuit, or specific equipment where necessary. If situations were to occur which prevented normal operations from occurring, the Business Continuity Plan

Exhibit V – 1
Pennsylvania Public Utility Commission
Public Utility Security Planning and Readiness Self Certification Form

Item No.	Classification	Response (Yes – No – N/A*)
1	Does your company have a physical security plan?	
2	Has your physical security plan been reviewed in the last year and updated as needed?	
3	Is your physical security plan tested annually?	
4	Does your company have a cyber security plan?	
5	Has your cyber security plan been reviewed in the last year and updated as needed?	
6	Is your cyber security plan tested annually?	
7	Does your company have an emergency response plan?	
8	Has your emergency response plan been reviewed in the last year and updated as needed?	
9	Is your emergency response plan tested annually?	
10	Does your company have a business continuity plan?	
11	Does your business continuity plan have a section or annex addressing pandemics?	
12	Has your business continuity plan been reviewed in the last year and updated as needed?	
13	Is your business continuity plan tested annually?	

* Brief explanation needed if supplied as a response

Source: Public Utility Security Planning and Readiness Self Certification Form,
Docket No. M-00031717F0006/L-00040166

adequately addresses contingencies for people, equipment and facilities. Allegheny Power also maintains a sub-manual to the Business Continuity Plan which is the Personnel Shortage Plan (this manual is referenced in the Business Continuity Plan but is a separate plan). The Personnel Shortage Plan addresses the actions to be taken if staffing levels are reduced due to epidemics, terrorist attacks, major storms, or other events. The Personnel Shortage Plan includes plans for shelter, food, equipment, and other accessories needed if employees are to be alternately located or require overnight stays.

To protect physical and cyber security, the measures used by Allegheny Power include the following:

- Physical access for electronic locks to buildings and rooms is restricted through electronic key cards which groups employees, contractors, and visitors to allow levels of access depending on their particular jobs.
- Physical access for the service centers, garages, and maintenance areas include traditional lock and electronic key cards. Keys or electronic key cards are assigned depending on need and position.
- Cyber access allows differing levels of access to internet, intranet, and software applications dependent on an individual’s job. Additionally, firewalls, content filtering, and virus protection are used for protective measures.

- Technology used at the various Allegheny Power locations including closed circuit television, cameras with remote viewing, controls, and infrared technology, digital video recording, motion sensors, and glass break sensors.

The Audit Staff also reviewed the measures taken by Allegheny Power to safeguard its areas of vulnerability and found that all areas of identified vulnerability have been sufficiently addressed. Allegheny Power's Vulnerability Assessment includes a physical assessment and review of external entries to Allegheny Power facilities, internal entries (getting into specific sensitive parts of buildings once inside), and a social engineering aspect. As an example, the social engineering includes Allegheny Power's Administrative Network personnel (who are responsible for security at Allegheny Power) randomly calling employees to ascertain whether they will reveal their passwords or other personal information over the phone.

Staff's Follow-up Recommendation – None.

VI. CUSTOMER SERVICE

Background – The Focused Management and Operations Audit of the West Penn Power Company (West Penn or Company) doing business as (d/b/a) Allegheny Power conducted by the Management Audit Division (Audit Staff) of the Pennsylvania Public Utility Commission’s (PUC or Commission) Bureau of Audits, released on February 14, 2008, at D-06MGT018, contained two recommendations within the Customer Service functional area. The Audit Staff rated this functional area as needing moderate improvement. In this chapter, the two prior recommendations and prior situations are reviewed and two follow-up findings are presented.

To follow the discussion in this chapter it is important to understand the organizational relationships of West Penn and its affiliates. Allegheny Energy, Inc. (Allegheny Energy) operates three electric distribution companies (EDCs): West Penn which operates in Pennsylvania; Monongahela Power Company (Monongahela Power) which operates in West Virginia; and The Potomac Edison Company (Potomac Edison) which operates in Maryland, Virginia, and West Virginia. Each of these EDCs does business as (d/b/a) Allegheny Power in their respective states.

Prior Recommendation – Initiate the policy and procedure changes necessary to enable accurate accounting of West Penn recoveries from collection agencies of finaled accounts.

Prior Situation – Allegheny Power was not specifically tracking recoveries from collection agencies by each specific operating company. Instead, an estimate of the collection performance of each of Allegheny Power’s EDCs was given to the Audit Staff. The Audit Staff recommended that Allegheny Power report collections success by state jurisdiction rather than an estimate of each operating companies’ performance.

Follow-up Finding and Conclusion No. VI-1 – **Allegheny Power has changed its outside collection agency reporting to reflect operations by state jurisdiction.**

As stated in the background of this chapter, Allegheny Power operates in multiple states and due to different collection and termination regulations in each of the states, the recoveries from the outside collection agencies should be monitored by state jurisdiction to adequately assess the collection performance. Previously, reports could not be generated by individual EDC, but Allegheny Power as a whole (i.e., all three EDCs). The data system was modified to generate reports by each individual EDC as of June 2007. Since that time Allegheny Power reports the outside collection agency recoveries by each of the three EDCs; therefore, West Penn’s outside collection agency performance can be accurately accounted for, its performance reviewed, and policy and procedure changes addressed as needed.

Staff’s Follow-up Recommendation – **None.**

Prior Recommendation – Pursue achieving a gross 15% return on behalf of West Penn on finaled accounts placed with collection agencies.

Prior Situation – Allegheny Power had a goal for gross collection agency performance of 15% gross recovery. Allegheny Power as a whole was able to achieve the 15% gross recovery goal in 2005 and 2006; however, West Penn did not. The estimates given by the Customer Service Department for West Penn’s gross recoveries were 9.3% and 11.5% for 2005 and 2006, respectively.

The Audit Staff estimated that if West Penn would have achieved the Allegheny Power goal of 15% gross recovery, the Company would have achieved \$371,000 in net additional collections during 2005 and 2006. As shown on Exhibit VI-1, this reflected additional collections of \$452,000 less commissions at the rates of 19% in 2005 and 16% in 2006.

**Exhibit VI – 1
West Penn Power Company
Recovery Results Versus 15% Goals
2005-2006**

<u>Year</u>	<u>Adjusted Placement</u>	<u>Gross Recovery Rate</u>	<u>Actual Amounts Recovered</u>	<u>15% Recovery Goal</u>	<u>Additional Recovery Amount</u>
2005	\$5,123,582	9.30%	\$477,973	\$768,537	\$290,564
2006	\$4,679,378	11.50%	\$540,099	\$701,907	\$161,808
Additional Recoveries if Goal is Achieved:					\$452,372
Less Estimated Commissions:					\$81,096
Net Recovery Potential:					<u>\$371,276</u>

Source: Exhibit IX-6, from page 87, of January 2008 Management Audit report.

Follow-up Finding and Conclusion No. VI-2 – West Penn Power is achieving reasonable collection success.

Allegheny Power has made several improvements in its collections process since the prior management audit. The changes made by West Penn are as followed:

- **June 2007** - Allegheny Power began tracking recoveries by distinct EDC; i.e., West Penn (PA), Potomac Edison (MD, VA, & WV), and Monongahela Power (WV) (see Finding and Conclusion No. VI-1).
- **January 2008** - Allegheny Power began having quarterly meetings with each Outside Collection Agency to review status of collection results and possible changes or enhancements to the process.

- **May 2008** – Initiated a pilot project of allowing maximum settlements to occur earlier on accounts placed with their secondary collection agency.
- **3rd Qtr 2010** – The Primary Agency began using a new “Trigger” process for collections (i.e., change in customer’s credit bureau information alerts agency of change in employment, address, income, etc.).

While reviewing West Penn’s outside collection agency success, the Audit Staff discovered that the collections success data was provided with internal recoveries included in the gross and net recovery rates. As a result, in the Audit Staff’s judgment this gives a false indication of the actual performance of the collection agencies. Therefore, the Audit Staff removed internal recoveries from the statistics to create a more accurate representation of outside collection performance. As shown in Exhibit VI-2, the Audit Staff recalculated the Company’s collection data by excluding the internal collections to determine the adjusted actual outside collection agency success.

At other EDCs and natural gas distribution companies (NGDCs) the Audit Staff has seen the targets and benchmarks for outside collection agencies set at approximately 10% net recovery. However, considering the generally poor economic climate of 2008-2009, West Penn’s outside collection agencies performance for 2008-2010 does not appear to be unreasonable compared to the collection success of outside collection agencies at other EDCs and NGDCs in recent years.

Staff’s Follow-up Recommendation – None.

Exhibit VI – 2
West Penn Power Company
Outside Collection Agency Success
2007-2010

	2007			
	(Primary) Company 1	(Primary) Company 2	(Primary) Totals	(Secondary) Company 3
Placements	\$394,214.00	\$5,397,988.28	\$5,792,202.28	\$4,886,029.82
Recoveries	\$49,086.00	\$470,067.28	\$519,153.28	\$102,296.53
Gross Recovery %	12.5%	8.7%	9.0%	2.1%
Commissions	\$6,872.04	\$77,561.10	\$84,433.14	\$21,482.27
Net Recovery %	10.7%	7.3%	7.5%	1.7%

	2008	
	(Primary) Company 1	(Secondary) Company 2
Placements	\$5,278,467.16	\$5,093,129.80
Recoveries	\$441,936.01	\$265,515.26
Gross Recovery %	8.4%	5.2%
Commissions	\$100,500.48	\$55,758.20
Net Recovery %	6.5%	4.1%

	2009	
	(Primary) Company 1	(Secondary) Company 2
Placements	\$5,249,406.94	\$4,337,094.20
Recoveries	\$392,780.35	\$225,977.97
Gross Recovery %	7.5%	5.2%
Commissions	\$64,808.76	\$47,455.37
Net Recovery %	6.2%	4.1%

	2010	
	(Primary) Company 1	(Secondary) Company 2
Placements	\$6,133,527.34	\$4,810,041.58
Recoveries	\$401,618.82	\$249,188.98
Gross Recovery %	6.5%	5.2%
Commissions	\$66,267.11	\$52,329.69
Net Recovery %	5.5%	4.1%

Source: Data Request Nos. 67 and 78.

VII. DIVERSITY AND EQUAL EMPLOYMENT OPPORTUNITY

Background – The Focused Management and Operations Audit of West Penn Power Company (West Penn or Company) doing business as (d/b/a) Allegheny Power conducted by the Management Audit Division (Audit Staff) of the Pennsylvania Public Utility Commission’s (PUC or Commission) Bureau of Audits, released on February 14, 2008, at D-06MGT018, contained three recommendations within the Diversity and Equal Employment Opportunity functional area. The Audit Staff rated this functional area as needing moderate improvement. In this chapter, one prior recommendation and prior situation are reviewed and one follow-up finding is presented.

Prior Recommendation – File the PUC Annual Diversity Report according to the current guidelines.

Prior Situation – Since 1992, the Commission has issued various directives and a policy statement on diversity and equal employment opportunity (EEO) to the major jurisdictional utility companies operating within Pennsylvania. The latest directive was provided in 1997, when the Commission’s Affirmative Action Officer issued revised guidelines for the Diversity Report, changing the filing requirement from semi-annual to annual, and changing the format of the report. Utility companies should be filing their Annual Diversity Reports according to the 1997 guidelines. The guidelines include procurement and a human resources section. The Procurement Section should contain a narrative on minority-, women-, and persons with a disability-owned business enterprises (MWDBE) procurement efforts (including internal, external, and subcontracting), regarding data for protected classes. The Human Resources Section should include a table showing workforce composition that is consistent with the format used in reports to the Equal Employment Opportunity Commission (EEO-1 format), narrative on affirmative action efforts (recruiting, advertising, training, promotion, and retention), workforce vs. service territory comparison (description of service territory, definition of relevant labor force, and comparison of internal workforce/relevant labor force).

At the time of the management audit review, West Penn was filing annual diversity reports with the Commission but was not in full compliance with the PUC guidelines to include information for the following items:

- Procurement Section – a narrative on MWDBE procurement efforts regarding subcontracting.
- Human Resources Section – annual details of the workforce composition in EEO-1 format for the most current five year period; narrative on affirmative action efforts regarding advertising, promotion, and retention; and a comparison of internal workforce/relevant labor force.

Follow-up Finding and Conclusion No. VII-1 – West Penn currently files the Annual Diversity Report according to PUC guidelines.

Beginning in 2009 (for its 2008 report), West Penn has filed an Annual Diversity Report that includes complete and detailed Procurement and Human Resources Sections that comply with PUC guidelines. The Procurement Section now contains narratives on MWDBE procurement efforts for subcontracting in addition to the previously reported internal and external efforts for MWDBE procurement. The Human Resources Section now contains a workforce composition (in EEO-1 format) for the most current five year period; a narrative on affirmative action efforts for advertising, promotion, and retention in addition to the previously reported efforts for recruiting and training; and a comparison of internal workforce's relevant labor force in addition to the previously reported workforce vs. service territory comparison.

Staff's Follow-up Recommendation – None.

VIII. ACKNOWLEDGEMENTS

We wish to express our appreciation for the cooperation and assistance given to us during the course of this Management Efficiency Investigation by the officers and staff of West Penn Power and its affiliates.

This audit was conducted by Tim Kerestes, Eric McKeever, and Craig Bilecki of the Management Audit Staff of the Bureau of Audits.

