

**Act 129 Fuel Switching Working Group
Reply Comments of West Penn Power Company d/b/a Allegheny Power
March 12, 2010**

West Penn Power Company d/b/a Allegheny Power (“Allegheny Power” or “Company”) appreciates the opportunity to provide additional comments to the fuel switching working group established by the Pennsylvania Public Utility Commission (“Commission”). The Company previously provided comments to the working group related to the policy considerations that must be decided by the Commission, Act 129 plan impacts, cost-effectiveness testing and customer costs. The Company is providing additional comments regarding Act 129 Plan impacts and the cost-effectiveness testing as follow-up to the discussion at the working group meeting on February 26, 2010.

Act 129 Plan Impacts

The Company previously commented on the substantial incentive levels included in the fuel-switching proposals and the significant impact they would have on electric distribution company (“EDC”) Energy Efficiency and Conservation (“EE&C”) Plan budgets. The Company also commented that if fuel switching programs are determined to be acceptable by the Commission, the Company strongly believes that fuel switching programs must be voluntary as any other potential program offering and must not be mandated in the EE&C Plans. Each EDC has assembled a portfolio of programs and measures in conjunction with its stakeholders that each believes put it in the position to meet the mandated consumption and demand reduction targets. Any change to the portfolio must be thoroughly considered to ensure that the EE&C Plan continues to meet all requirements of Act 129. In addition to the budgetary concerns as the Company

previously commented, in light of the EE&C Plan budget cap, another aspect that must be considered is the potential for any program both in terms of the overall market as well as the projected participation rates (which collectively contribute to establish the budget) and the resulting energy and demand savings that would result from such participation. The Company understands that several fuel switching measures have a sizeable customer cost and payback that would serve to limit the projected participation rates assuming incentive levels that are similar to other residential EE&C programs. As the Company is responsible to achieve all requirements of Act 129, including the mandated targets and the budget cap, and may be subject to significant penalties if the targets are not met, the Company must have the flexibility to provide the portfolio of programs and measures in its EE&C Plan as it determines best meets all requirements of Act 129. The market potential and projected participation rates are key factors that every EDC needs to consider, in addition to the budget impact as previously commented, as it evaluates potential programs and measures to include in the EE&C Plan.

Cost-Effectiveness Testing

The Company proposes that the TRC test results proposed by the fuel switching sub-group should be considered preliminary and not assumed to be representative or final for any proposed fuel switching measures. The TRC test results proposed by the fuel switching sub-group only included certain direct costs and did not necessarily include all customer costs as the company identified in its previous comments that may apply from location to location, and more importantly did not include any utility or program level costs for administration, management, marketing, or measurement and verification that

are required. Also as discussed at the fuel switching working group meeting on February 26, 2010, the Company proposes that the final TRC test adopted by the Commission, as well as the Technical Reference Manual (“TRM”), need to be revised in order to support final cost-effectiveness testing for any proposed fuel switching programs. As such, until such time that the TRM and TRC are revised to provide the specific instruction on any fuel switching measures, and that the additional program costs including all utility and customer costs are fully determined, the TRC test results proposed by the fuel switching sub-group are not representative of the cost-effectiveness of any proposed fuel switching programs.

Conclusion

The Company appreciates the opportunity to provide additional comments to the fuel switching working group. In addition to the policy considerations that must be decided to establish the acceptability and approach associated with fuel switching programs as the Company identified in its previous comments, the Company emphasizes that any fuel switching measures must be voluntary as any other potential program offering and must not be mandated in the EE&C Plans recognizing the responsibility that the EDCs have in meeting all requirements of Act 129. In addition, the Company proposes that the TRC test results submitted by the fuel switching subgroup must be considered preliminary and not representative of final results for any proposed fuel switching program until the TRM and TRC are revised to provide the specific instruction for fuel switching and all utility and customer costs are determined specific to the application.

Thank you again for the opportunity to provide comments.

Respectfully submitted,

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