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LEGAL SERVICES

VIA U.P.S. NEXT DAY

June 5, 2009

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: **Total Resource Cost (TRC) Test –
Pennsylvania Specific; M-2009-2106601**
and
**Implementation of Energy Efficiency and
Conservation Program; M-2008-2069887**

Dear Secretary McNulty:

Enclosed is the original copy of the Comments filed on behalf of West Penn Power Company d/b/a Allegheny Power concerning the proposed Pennsylvania-Specific Total Resource Test and Implementation of Energy Efficiency and Conservation Plans as requested in the Secretarial Letter dated May 21, 2009. This filing is made electronically and is also submitted to the Commission's Act 129 webpage.

Very truly yours,


John L. Munsch
Attorney

JLM:sac

Enclosures

cc: RA-ACT129@state.pa.us

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Total Resource Cost (TRC) Test	:	
Pennsylvania Specific	:	Docket No. M-2009-2106601
	:	
and	:	
	:	
Implementation of Energy Efficiency and	:	Docket No. M-2008-2069887
Conservation Program	:	

**COMMENTS OF
WEST PENN POWER COMPANY d/b/a ALLEGHENY POWER**

Pursuant to the Public Utility Commission’s Secretarial Letter, dated May 21, 2009, requesting comments on the proposed Pennsylvania-specific total resource cost (“TRC”) test, as described in the “strawman” order accompanying the Secretarial Letter, West Penn Power Company d/b/a Allegheny Power (“Allegheny Power” or the “Company”) provides the following comments.

The Company supports the Commission’s efforts to establish a Pennsylvania-specific TRC test to evaluate energy efficiency and conservation (EE&C) programs. The Pennsylvania-specific TRC test will help to ensure that programs are consistently evaluated throughout the Commonwealth.

Allegheny Power offers the following comments and discussion to contribute to the Commission’s efforts to finalize the specific TRC test to be used for evaluating the EE&C programs, which filings are due on July 1, 2009. In general, the Company believes that

additional clarification is needed primarily surrounding the topics of “Avoided Costs of Supplying Electricity” and “Net-to-Gross (NTG) Adjustments to Savings.”

Avoided Costs of Supplying Electricity

The Company would like the Commission to reconsider the methodology proposed for calculating the Avoided Cost of Supplying Electricity (pages 6- 7 of the Strawman). More specifically, the 15-year period for calculating avoided electricity supply cost by three segments of five years each is overly complex, and the Company submits that additional clarification is needed about the methodology itself.

The Company believes that the inclusion of the “Spark Price Spread” adds unnecessary complexity to the calculation of avoided costs and does not provide additional benefit to the calculation. The Company proposes that the Commission adopt a simpler method relying primarily on some combination of the NYMEX PJM forwards and the US EIA data as currently referenced. If the Commission maintains the “Spark Price Spread” methodology, the Company requests clarification on the marginal heat rate to be used as part of this calculation.

In addition, recognizing that the PJM forwards vary by both the timing of the forward and the specific PJM zone, additional clarification should be provided regarding obtaining the PJM forwards. Having each EDC use PJM forwards provides consistency to the extent that the EDCs obtain the information on the same date and in the same manner specific to each EDC’s respective zone. An alternative to the EDCs performing the calculation individually would be for the Commission staff to provide the long-run econometric electric price forecast for each EDC to use as part of its TRC test. Programs should be evaluated for their cost effectiveness

over time, including a sensitivity analysis, and should not be based on aberrations in the short-term energy markets.

The Company also requests clarification regarding the PJM capacity price to be used after 2013. Currently, PJM capacity pricing is only available through the 2012-2013 delivery year. Recognizing that the PJM capacity price can vary significantly from year to year, the Company requests the Commission to define the methodology EDCs should follow for determining the capacity price for long term analysis of the EE&C programs.

Net-to-Gross (NTG) Adjustments to Savings

The second area of discussion is Net-to-Gross (NTG) Adjustments to Savings (pages 10-11). The Company supports the Commission's proposal that no NTG adjustments be made for the first year of the programs and to study free-rider, take-back effect, and spillover effect for the efficiency measures that are implemented as part of the EE&C plan to determine if NTG adjustments should be made. The Company agrees that the adjustments must be based on research completed at the program-participant level and must be specific to Pennsylvania customers. The Commission should acknowledge that the cost for the study shall be recoverable through a surcharge; however, the cost must not be counted toward EDCs' two (2) percent annual expenditure cap. The cost should not be counted toward the cap because the study is in addition to specific costs associated with providing EE&C programs to customers and serves to improve the Pennsylvania-specific TRC test. The Company proposes that, since this study has not yet been completed, no NTG adjustments can be reflected in the TRC calculations included

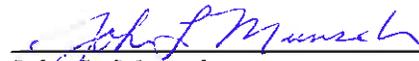
for the initial four-year plan. Should it be determined that NTG adjustments are required they should be made in conjunction with the annual reviews of the plan.

Conclusion

Allegheny Power supports the Commission's efforts to establish a Pennsylvania- specific TRC test and respectfully submits comments for the Commission's consideration in finalizing the TRC test. Given timing of the EE&C program filing in relation to any final version of the Pennsylvania-specific TRC test, the Company states that its EE&C program filing may not be able to reflect any additional revisions or modifications to the final Pennsylvania-specific TRC, depending upon the extent of revisions or modifications. The Company looks forward to working with the Commission in finalizing the Pennsylvania-specific TRC test as well as providing EE&C programs to its customers.

Respectfully Submitted,

Date: June 5, 2009



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