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**VIA FEDEX**

December 31, 2007

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

**Re: West Penn Power d/b/a Allegheny Power for  
Approval of a Customer Education Plan and  
Implementation of a Customer Education Surcharge**

Dear Secretary McNulty:

Enclosed for filing please find an original and three copies of the **Customer Education Plan** of West Penn Power d/b/a Allegheny Power. The Plan is filed in accordance with the Secretarial Letter dated May 17, 2007, at Docket No. M-00061957 concerning *Policies to Mitigate Potential Electricity Price Increases*. Copies of the Plan have been served upon the persons indicated on the attached certificate of service. This filing is made by Federal Express and is deemed filed today, December 31, 2007.

Very truly yours,

  
John L. Munsch  
Attorney

**Re: West Penn Power Company dba Allegheny Power  
Customer Education Plan and Customer Education Surcharge**

**CERTIFICATE OF SERVICE**

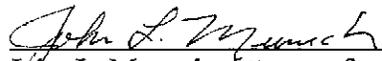
I hereby certify that I have this day served by first-class mail, postage prepaid, the foregoing **West Penn Power Company dba Allegheny Power Customer Education Plan** addressed as follows:

Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101

Office of Consumer Advocate  
555 Walnut Street, Fifth Floor  
Harrisburg, PA 17101

Office of Trial Staff  
PA Public Utility Commission  
PO Box 3265  
Harrisburg, PA 17105

Date: December 31, 2007

  
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John L. Munsch, Attorney for  
WEST PENN POWER COMPANY,  
dba ALLEGHENY POWER  
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Greensburg, PA 15601  
(724) 838-6210

# ALLEGHENY POWER CUSTOMER EDUCATION PLAN

## **Introduction**

In accordance with the Pennsylvania Public Utility Commission (“Commission”) Order entered May 17, 2007, at Docket No. M-00061957 regarding policies to mitigate potential electricity price increases, West Penn Power Company doing business as Allegheny Power (“Allegheny Power”) is developing its education campaign to notify its customers of the expiration of generation rate caps, and to provide them with energy management information to help mitigate the effect of rising energy costs. Allegheny Power hereby seeks approval of (1) the herein proposed customer education plan and (2) implementation of a customer education surcharge designed to recover, on an on-going basis, the costs of the Allegheny Power education campaign.

Allegheny Power is committed to its communication and education campaign to assist customers in understanding electric generation prices, to provide options for purchasing electric generation from alternative generation suppliers, and to outline practical steps to mitigate the effect of electric generation price increases. The five-year campaign covers 2008 through 2012 and uses a combination of print, radio and community outreach throughout the campaign. The campaign will work in conjunction with the Commission’s statewide customer education campaign.

## **Program Message**

Allegheny Power’s Education Campaign will concentrate on educating customers about the following issues:

1. Electric generation rates have been limited by a gradually increasing rate cap since 1997 and do not reflect actual fuel costs, environmental compliance costs, or prevailing market conditions;

2. The cap on electric generation rates is set to expire on December 31, 2010<sup>1</sup> and the likelihood of electric generation rates returning to previous levels in the immediate future is unlikely;
3. Changes in customer behavior toward more efficient uses of electricity can reduce their electric bills;
4. Conservation, energy efficiency and Demand Side Resource (“DSR”) options and technologies are available to effectively manage energy consumption.

### **Objectives**

Allegheny Power’s Education Campaign is designed to increase awareness and ultimately change customer behavior relative to energy efficiency and conservation measures. Using outreach programs, such as Community Based Organizations (“CBO”) and social services agencies, the campaign will strive to reach vulnerable portions of the customer base as well as other customers described in the Commission’s Order. In addition, customers will be re-introduced to the competitive choice options that are still available.

This campaign intends to communicate the following “Energy Education Standards” to customers:

- The generation component of retail electric rates charged to customers by Allegheny Power has been limited by a gradually increasing generation rate cap since 1997, which will expire on December 31, 2010<sup>2</sup>.
- The rate charged for generation service will change after the rate cap expires, and will likely increase.
- Customers need to take certain steps before and after the time the generation rate cap expires to reduce their energy consumption, use energy more efficiently, and ultimately manage their electric bills.
- Customers can benefit from utilizing energy efficiency, conservation and DSR measures now, while the generation rate cap is still in effect.

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<sup>1</sup> For Tariff No. 39 customers

<sup>2</sup> For Tariff No. 39 customers

- Cost-effective energy efficiency, conservation and DSR programs and technologies have been identified and information about them is readily available.
- Customers may be able to reduce their electric bills, or receive service options more suited to their needs, by purchasing generation service from an alternative electric generation supplier.
- Information is readily available that will allow customers to make informed choices about competitive generation alternatives.
- Information is readily available about programs that exist to help low income customers maintain their utility service.

### **Program Components**

For education purposes the year will be divided into two parts, winter and summer, because these are the times of heaviest energy usage when electricity prices will have the greatest impact on customers' electric bills. Individual components of the Allegheny Power communications campaign will include:

1. CBO Outreach
2. Direct Mail
3. News Media (radio, newspaper)
4. Bill Inserts
5. Internet
6. Customer Service Center
7. Intra-Company Communications
8. Personal Contacts

1. **CBO Outreach** – The Allegheny Power service territory covers all or parts of 23 counties in Pennsylvania. Comprehensive consumer education programs are most efficient when they include the partnership of social services agencies. The involvement of grassroots agencies in providing specific information and meeting local needs will be

accomplished by enlisting the services of the Dollar Energy Fund (“DEF”). DEF was selected because the organization has extensive experience in serving low-income utility customers. Since its founding in 1983, DEF has a history of successful collaborative projects with utility companies, CBOs and the Commission. With many years of experience in managing the Allegheny Power Customer Assistance Program and the Grant Program, as well as the Allegheny Power Customer Choice Customer Education CBO program, DEF has proven that it has the expertise to successfully fulfill the obligations of this education program. Allegheny Power has confidence in DEF's ability to meet the expectations of both Allegheny Power and the Commission.

DEF will act on behalf of Allegheny Power to accomplish the following:

- Partner with Allegheny Power in developing materials containing content-neutral and unbiased information explaining the expiration of generation rate caps, and the programs that will be provided to help customers manage electricity consumption in the future.
- Develop a delivery plan by identifying opportunities -- such as local events including town meetings, fairs, and church functions -- where DEF can present the education material.
- Develop outreach plans where necessary to reach diverse cultural or vulnerable populations within the Allegheny Power service territory, with a grassroots focus on low-income, minority, rural and disabled customers.
- Provide Speaker Service functions to make presentations to civic clubs, social clubs, consumer audiences, labor unions, senior citizen organizations and other customers as appropriate.
- Provide informational and statistical reports on a monthly basis.

Dollar Energy Fund – Proposed CBO Budget						
Program Year	2008	2009	2010	2011	2012	Total
DEF Consumer Education Support Including:						
• Energy Educator	\$132,000	\$138,600	\$145,530	\$132,000	\$132,000	\$680,130
• Message Development						
• CBO Training						
• Special Events						

2. **Direct mail** -- Allegheny Power will use direct mailings as a primary means of communication with all residential, commercial and industrial customers. Information will include materials containing content-neutral and unbiased information explaining the expiration of generation rate caps, and the programs that will be provided to help customers manage electricity consumption in the future. Projected costs include the development and printing of materials, and the cost of postage.

Direct Mail Budget						
Program Year	2008	2009	2010	2011	2012	Total
Materials	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000	\$50,000
Mailing Preparations	\$14,200	\$14,200	\$14,200	\$14,200	\$14,200	\$71,000
Printing	\$24,200	\$24,200	\$24,200	\$24,200	\$24,200	\$121,000
Postage	-	\$184,600	\$184,600	\$184,600	\$369,200	\$923,000
<b>Total Costs</b>	<b>\$48,400</b>	<b>\$233,000</b>	<b>\$233,000</b>	<b>\$233,000</b>	<b>\$417,600</b>	<b>\$1,165,000</b>

3. **News Media** –The Allegheny Power Education Campaign will include various elements of mass communications throughout its service territory, as appropriate.
- **Newspaper** – Newspaper advertising will be used throughout our service territory as appropriate. Newspaper ads will be placed in daily and weekly newspapers selected to expose all customers in the service area to the information message.

Newspaper Ads Proposed Budget						
	2008	2009	2010	2011	2012	Total
Daily Newspapers	\$388,500	\$812,000	\$849,870	\$800,000	\$800,000	\$3,650,370
Weekly Newspapers	\$11,000	\$22,500	\$23,344	\$22,500	\$22,500	\$101,844
<b>TOTALS</b>	<b>\$399,500</b>	<b>\$834,500</b>	<b>\$873,214</b>	<b>\$822,500</b>	<b>\$822,500</b>	<b>\$3,752,214</b>

- **Radio** – Radio advertisements will be placed on appropriate radio stations selected to expose all customers in the service area to Allegheny Power’s message.

Radio Ads Proposed Budget						
	2008	2009	2010	2011	2012	Total
KDKA-AM, Pittsburgh, PA	\$48,000	\$127,000	\$134,000	\$125,000	\$125,000	\$559,000
WWSW-FM, Pittsburgh, PA	\$12,500	\$33,000	\$35,000	\$30,000	\$30,000	\$140,500
WDSY-FM, Pittsburgh, PA	\$40,000	\$132,000	\$138,500	\$131,000	\$131,000	\$572,500
WJAS-AM, Pittsburgh, PA	\$19,000	\$52,000	\$55,000	\$50,000	\$50,000	\$226,000
PA STATESNET (28 Stations)	\$65,000	\$178,000	\$187,500	\$175,000	\$175,000	\$780,500
<b>TOTALS</b>	<b>\$184,500</b>	<b>\$522,000</b>	<b>\$550,000</b>	<b>\$511,000</b>	<b>\$511,000</b>	<b>\$2,278,500</b>

Cost estimates for radio advertisements run in 2008 are based on 250 spots on each station. In 2009 through 2012, cost estimates are based on two 13-week radio advertisement campaigns.

4. **Bill inserts** – Information about the generation rate cap expiration, competition and assistance programs will be published in Allegheny Power’s bill inserts, or in special bill inserts as necessary. Bill inserts will be coordinated around the winter and summer print campaigns. Projected costs include the development and printing of materials and additional handling associated with bill inserts. Costs estimates are for the production of two-color, three-panel inserts for all 710,000 Pennsylvania customers.

Bill Insert Proposed Budget						
	2008	2009	2010	2011	2012	Total
Development	\$7,000	\$13,000	\$13,000	\$13,000	\$13,000	\$59,000
Materials	\$2,500	\$5,000	\$5,000	\$5,000	\$5,000	\$22,500
Handling	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$10,000
<b>TOTALS</b>	<b>\$11,500</b>	<b>\$20,000</b>	<b>\$20,000</b>	<b>\$20,000</b>	<b>\$20,000</b>	<b>\$91,500</b>

5. **Internet** – Updated information on Allegheny Power’s education campaign will be available on the Allegheny Power website ([www.alleghenypower.com](http://www.alleghenypower.com) ). A myriad of information is available to residential, commercial and industrial customers, including information on Allegheny Power’s Watt Watchers energy efficiency campaign, Allegheny Power’s partnership with Energy Star, and Customer Choice information about shopping options.
  
6. **Intra-company communications** – Allegheny Power employees and retirees will continue to receive additional information about programs through Allegheny Power’s employee bulletins, updates, fact sheets, and internal electronic (intranet) communications. Speakers will also be available to answer questions and provide information to these groups.
  
7. **Personal contacts** – Allegheny Power’s account managers will provide personal communications with large commercial and industrial customers to answer specific questions and provide additional information.
  
8. **Statewide Plan** -- Allegheny Power will support the statewide communications plan as developed by the Commission’s Office of Communications.

## **Program Timeline**

The Allegheny Power Education Campaign is slated to run through the year 2012. Individual programs within the campaign will continue throughout this timeframe and be modified as necessary to maximize effectiveness. CBO communications through DEF, newspaper and radio ads, as well as information resources will be available for the duration of the education campaign.

The following timeline provides a tentative schedule of initial activities for the start-up of the education campaign.

### **2008.**

- 1<sup>st</sup> Quarter
  - Commission approval of Allegheny Power Education Campaign
  - Development of a detailed implementation plan
- 2nd Quarter
  - Development of the primary education campaign “messages”
  - Establishment of deliverables for DEF
  - Designation of an Energy Educator for Allegheny Power by DEF
- 3rd Quarter
  - Development of newspaper and radio advertisements
  - Development of Internet information
  - Development of education materials
  - Identification of CBOs within Allegheny Power’s 23-county service territory
  - Identification of special materials required to support CBO efforts
  - Identification of special needs to meet diverse cultural and vulnerable populations.
  - Launch of newspaper advertising
- 4th Quarter
  - Launch of Intra-company communications

- Customer Service Center training
- Commencement of CBO participation
- Development and preparation for customer mailings
- Launch of winter radio campaign

#### **2009.**

- 1<sup>st</sup> Quarter
  - Direct mailings to all Pennsylvania customers
  - Commencement of customer bill inserts
- 2<sup>nd</sup> Quarter
  - Mid-year round of newspaper advertising
  - Launch of summer radio campaign
- 3<sup>rd</sup> Quarter
  - Monitoring of the effects of the CBO outreach efforts by DEF
- 4<sup>th</sup> Quarter.
  - Continue Intra-company communications
  - Continuation of CBO participation
  - Re-institute winter radio campaign

#### **2010 through 2012.**

Education programs will continue throughout the remainder of the campaign. Changes to the education program may occur during the campaign to enhance effectiveness, as necessary.

#### **Plan Evaluation**

To measure the success of the overall plan, Allegheny Power will conduct focus groups and surveys. It is estimated that at least one focus group and/or survey will be necessary in each year of the education plan to continually measure Allegheny Power's education effort as it relates to the overall stated objectives. Allegheny Power will also measure the effectiveness of

the CBO outreach program. All survey activity will be performed by a third-party independent vendor.

Program Evaluation Budget						
	2008	2009	2010	2011	2012	Total
Administrative	-	\$5,000	\$5,000	\$5,000	\$10,000	\$25,000
Outside Services	-	\$50,000	\$50,000	\$50,000	\$75,000	\$225,000
Customer Incentives	-	\$5,000	\$5,000	\$5,000	\$5,000	\$20,000
<b>Total</b>	-	<b>\$60,000</b>	<b>\$60,000</b>	<b>\$60,000</b>	<b>\$90,000</b>	<b>\$270,000</b>

### **Budget Summary**

The preliminary budget for the Allegheny Power Education Campaign over the five-year plan period is summarized in the table below:

Allegheny Power Customer Education Campaign Budget						
	2008	2009	2010	2011	2012	Total
CBO Outreach (DEF)	\$132,000	\$138,600	\$145,530	\$132,000	\$132,000	\$680,130
Direct Mail	\$48,400	\$233,000	\$233,000	\$233,000	\$417,600	\$1,165,000
Newspapers	\$399,500	\$834,500	\$873,214	\$822,500	\$822,500	\$3,752,214
Radio Advertisements	\$184,500	\$522,000	\$550,000	\$511,000	\$511,000	\$2,278,500
Bill Inserts	\$11,500	\$20,000	\$20,000	\$20,000	\$20,000	\$91,500
Program Evaluation	-	\$60,000	\$60,000	\$60,000	\$90,000	\$270,000
<b>Total Budget</b>	<b>\$775,900</b>	<b>\$1,808,100</b>	<b>\$1,881,744</b>	<b>\$1,778,500</b>	<b>\$1,993,100</b>	<b>\$8,237,344</b>

### **Cost Recovery**

The Commission's Final Order (*Policies to Mitigate Potential Electricity Price Increases*, Docket No. M-00061957 entered May 17, 2007) provides that "a specific cost-recovery mechanism should be proposed as an element of each filing" of the electric distribution company's individual Consumer Education Plan. Allegheny Power's proposed budget is \$8.2

million for the five year consumer education campaign. Allegheny Power proposes to recover its costs for this program by establishing a distribution-type Consumer Education Charge (“CEC”) as a mechanism to recover costs associated with the educational efforts described in this plan.

Since education campaign expenses are generally dependent upon the number of customers and do not vary based upon customer energy consumption levels, Allegheny Power believes the appropriate allocation and cost collection mechanism should be on a per customer basis. In other words, education campaign expenses should be allocated to the appropriate customer class which generally receives the commensurate benefit (using the number of customers as the allocator) and the resultant CEC should be applied as a fixed charge per month per customer. Of the above-mentioned expenses, the CBO Outreach program is appropriately allocated to only the residential customer class whereas all other costs should be allocated to the residential and non-residential customer classes alike, using the forecasted number of customers as the allocator. This cost recovery mechanism results in a fixed rate CEC per month which is applied as an identical rate to all residential customers<sup>3</sup>, and collects all costs associated with the CBO Outreach program and the allocated portion of all other costs. Similarly, a fixed rate CEC per month will be applied as an identical rate to all non-residential customers billed on applicable non-residential rate schedules<sup>4</sup>, and collects the allocated portion of costs not associated with the CBO Outreach program.

The initial CEC will be filed within 30 days of a Commission order approving Allegheny Power’s Customer Education Campaign plan, to be effective upon 60 days notice. Subsequent CEC’s will be filed with the Commission by November 1 of each year, to become effective the following January 1, and shall remain in effect for a period of one year. The CEC will be separated into the above defined residential and non-residential customer classes, and will include cost collection for projected education campaign expenses for the upcoming year, as well as a reconciliation of prior education campaign expenses. There will be no cross-subsidization between the residential and non-residential customer classes.

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<sup>3</sup> Customers billed on Tariff No. 39 Schedule 10

<sup>4</sup> Customers billed on Tariff No. 39 Schedules 20, 22, 23, 24, 30, 40, 41, 44, 46, 86, 51, 52, 53, 54, 55, 56, 57, 58, 71 and the customer billed on Tariff No. 37

Allegheny Power will file a report of collections and expenses under the CEC within ninety (90) days following the conclusion of each program year.

The CEC is subject to review and audit by the Commission.

**Conclusion**

West Penn Power Company d/b/a Allegheny Power requests that the Pennsylvania Public Utility Commission issue an Order approving Allegheny Power's Customer Education Campaign plan and its cost recovery mechanism as being in compliance with the Commission's May 17, 2007 Final Order.

**West Penn Power Company  
dba Allegheny Power**