

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of West Penn Power Company	:	
d/b/a/ Allegheny Power for Approval of its	:	Docket No. M-2009-2093218
Energy Efficiency and Conservation Plan,	:	
Approval of Recovery of Costs through a	:	
Reconcilable Adjustment Clause and	:	
Approval of Matters Relating to the Energy	:	
Efficiency and Conservation Plan	:	

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

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West Penn Power Company d/b/a Allegheny Power (“Allegheny Power” or “the Company”) hereby files its Energy Efficiency and Conservation (“EE&C”) Plan with the Pennsylvania Public Utility Commission (“Commission”) pursuant to Section 2806.1 of the Public Utility Code, 66 Pa.C.S. §2806.1, and pursuant to the Implementation Order entered by the Commission on January 16, 2009, at Docket No. M-2008-2069887. Allegheny Power requests that the Commission approve the Company’s EE&C Plan, and related requests, including the recovery via reconcilable surcharge of reasonable and prudent costs for providing and managing the Plan. In support of its Petition Allegheny Power submits as follows:

**Introduction**

1. Allegheny Power is a public utility and Pennsylvania corporation authorized to provide electric service in southwestern, south-central and northern Pennsylvania. Allegheny Power serves approximately 715,000 customers in Pennsylvania in an area of about 10,400 square miles with a population of approximately 1.5 million. Allegheny Power is a wholly owned subsidiary of Allegheny Energy, Inc. Allegheny Power and Allegheny Energy, Inc., have their corporate headquarters in the City of Greensburg, Westmoreland County, Pennsylvania.

2. Governor Edward Rendell signed Act 129 of 2008 (“Act 129”) on October 15, 2008, to be effective November 14, 2008. Act 129 requires electric distribution companies (“EDCs”) with at least 100,000 customers in Pennsylvania to adopt a plan to reduce energy consumption and demand in their service territories. As directed by Act 129 the Commission entered an Implementation Order on January 16, 2009 at Docket No. M-2008-2069887 establishing guidelines for EDC plans under Act 129.

3. Allegheny Power proposes to meet the energy efficiency and conservation requirements of Act 129 with a portfolio of 22 energy efficiency and conservation, demand response programs and rate offerings. The Plan includes measures that target major energy-consuming systems, such as heating, ventilating and air conditioning, and major consumer appliances and lighting, with a sufficiently broad scope to provide an opportunity for all Allegheny Power customers in Pennsylvania to participate.

4. The attorneys representing Allegheny Power in this proceeding authorized to accept service are:

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## **Allegheny Power's Energy Efficiency and Conservation Programs**

5. Allegheny Power's EE&C Plan contains 22 programs to meet its Act 129 demand and consumption reduction obligations. Allegheny Power has sought to create a portfolio of EE&C and demand reduction programs and rate offerings that enable all customers to participate in one or more programs or rate offerings. The proposed residential programs cover most of the major energy consuming devices in the home, thus increasing the opportunity for more residential customers to benefit from a program and the rate offerings. Likewise, the commercial and industrial programs encompass the core energy consuming devices for commercial and industrial customers. The programs are thoroughly discussed in Section 3 of the EE&C Plan and are presented in this Petition in summary fashion:

### ***Residential Energy Star and High Efficiency Appliance Program***

The Residential Energy Star and High Efficiency Appliance Program provides rebates to residential customers for the purchase of certain appliances that meet or exceed Energy Star or other efficiency ratings.

### ***Compact Fluorescent Lighting (CFL) Rewards Program***

The Residential CFL Rewards Program provides rebates and point of sale discounts to customers for the purchase and installation of single and multi-pack CFLs.

### ***Residential HVAC Efficiency Program***

The Residential HVAC Efficiency Program encourages residential customers to purchase a high efficiency central air conditioner or heat pump.

### ***Residential Home Performance Program***

The Residential Home Performance Program provides a holistic approach to educating customers on energy efficiency and conservation, and to improving overall home performance, by providing customers with energy efficiency education, three energy audit measures, including an on-line audit, a check-up audit and a comprehensive audit, and standard energy efficiency and conservation measures.

***Residential Low-Income Home Performance Check-up Audit and Appliance Replacement Program***

The Residential Low Income Home Performance Check-up Audit and Appliance Replacement Program provides home energy check-up audits and appliance replacement, including standard energy efficiency measures, to low income customers with household incomes up to 150% of the federal poverty level. The program will be available to ratepayers who own or rent their residence, including customers residing in multi-family buildings and mobile homes.

***Residential Low-Income Joint Utility Usage Management Program***

The Low-Income Joint Utility Usage Management Program will initially be a partnership with Columbia Gas, in Pennsylvania, to leverage resources and respective program dollars to provide comprehensive energy saving measures and weatherization services to low-income customers.

***Residential Low-Income Room Air Conditioner Replacement Measure***

The Residential Low Income Room Air Conditioner Replacement Program provides replacement of room air conditioners as an add-on to the Company's existing Low Income Usage Reduction Program (LIURP). The room air conditioner replacement will

be offered at no cost to qualified low-income customers in the LIURP for room air conditioners that meet certain qualifications.

***Residential Efficiency Rewards Rate***

Residential Efficiency Rewards is a rate offering that encourages residential customers to lower their energy consumption from historical levels, through a credit/discount on their bill based on their actual reduction in their energy use.

***Commercial HVAC Efficiency Program***

The Commercial HVAC Efficiency Program encourages small commercial and industrial and governmental/non-profit customers to purchase high efficiency split system or packaged air conditioners and high efficiency unitary heat pump units.

***Commercial Lighting Efficiency Program***

The Program provides rewards for installing T8 lamps (reducing the number of lamps per fixture by 1 to 2 fewer lamps and installing high-efficiency electronic ballasts), T5 fixtures (replacing High Intensity Discharge (“HID”) lights), LED Exit Sign installations and Occupancy Sensors (wall plates controlling interior lighting).

***Governmental/Non-Profit Lighting Efficiency Program***

The Program provides rewards for installing T8 lamps (reducing the number of lamps per fixture by 1 to 2 fewer lamps and installing high-efficiency electronic ballasts), LED Exit Sign installations, LED Traffic Signals and Compact Fluorescent Lights.

***Custom Technology Applications Program***

The Custom Technology Applications Program focuses on reducing energy & demand in the small to medium sector of commercial and industrial and governmental/non-profit

customers. The program will provide incentives to customers for improving the energy efficiency for specific processes and applications, including applications involving new technologies and renewable energy.

***Programmable Controllable Thermostat (PCT) Program***

The primary purpose of this demand response program is to automate demand response through direct load control of central air conditioners for residential and small commercial and industrial and governmental/non-profit customers.

***Pay Ahead (Smart) Service Rate***

The Pay Ahead (Smart) Service Rate is a billing option that provides customers with a better understanding of their electric usage, by providing them with information regarding their energy consumption relative to their prepaid account balance, to support their energy use awareness and support their energy efficiency initiatives. The program will not be used as a means to disconnect service for delinquent accounts.

***Commercial and Industrial Drives Program***

This Program provides rewards for installing variable speed drives to replace mechanical throttling devices. Rewards are available for installation of new variable speed drive applications.

***Custom Applications Program***

The Custom Applications Program provides energy auditing services and custom rewards for highly specialized processes and applications targeting Allegheny Power's 550 highest-consuming Pennsylvania customers.

### ***Customer Load Response Program***

The program is focused on reducing kW demand by providing load management services to small and large commercial and industrial, and governmental/non-profit customers. Under this program, Allegheny Power will act as a “Curtailed Service Provider” and call events to meet a portion of the demand reduction requirements during peak load hours. In addition, Allegheny Power would also act as a Curtailed Service Provider with PJM Interconnection, L.L.C. to leverage and enroll customer’s load curtailment into PJM’s capacity markets.

### ***Distributed Generation Program***

The program is focused on reducing kW demand of small and large commercial and industrial, and governmental/non-profit customers by deploying customer-owned standby generation during peak load hours.

### ***Contracted Demand Response Program***

Under this program, a third party would be contracted to market, recruit, contract and reconcile demand response contracts with participating customers. The contracted Curtailed Service Provider would be responsible for calling events and dispatching demand resources to meet a portion of the demand reduction requirements during peak load hours. This program would be used on conjunction with the Customer Load Response Program.

### ***Critical Peak Rebate (CPR) Rate***

This rebate rate encourages customers to lower their demand during peak load hours by offering a rate discount/rebate based on their actual demand, which can occur during predefined or notified peak hours.

### ***Time of Use (TOU) with Critical Peak Pricing Rate***

TOU rates reflect the cost of serving customers during different time periods, but do not change as frequently as hourly. TOU encourages residential, small commercial and industrial, and governmental/non-profit customers to lower their demand and energy consumption during on-peak periods by charging a higher price that reflects the higher cost of serving customers, and charging lower prices during other periods that reflects the lower cost of serving customers.

### ***Hourly Pricing Option (“HPO”) Rate***

The HPO reflects the different cost of energy during each hour and encourages residential, small commercial and industrial, and governmental/non-profit customers to lower their demand and energy consumption during high priced periods and/or shift usage to low priced periods.

## **Interrelation of EE&C Plan and Smart Meter Implementation**

6. The Company’s EE&C Plan under Section 2806.1 of the Public Utility Code and its plan for implementing smart meter technology, to be filed in August of 2009 under Section 2807(f) of the Public Utility Code, are fundamentally interrelated. The Company’s ability to meet the consumption and demand reduction requirements in Section 2806.1 is dependent on the implementation of its Smart Meter Implementation Plan. Act 129 anticipates an EDC’s

symmetrical application of EE&C plans with Smart Meter Implementation Plans. The EE&C plans are to be filed by July 1, 2009, with approval within 120 days. During that interval, no later than nine months after the effective date of Act 129, EDCs are to file their Smart Meter Implementation Plans. At the end of the applicable generation rate cap period, EDCs are to file time-of-use rates and real-time-price plans, with approval by the Commission of the rates within six months according to Section 2807(f)(5). Act 129's dovetail of the EE&C Plans and the Smart Meter Plans indicates the interrelated nature of the plans.

7. Allegheny Power submits that a symmetrical implementation of its EE&C plan and its Smart Meter Plans is the most effective and economical method to achieve the EE&C goals and Smart Meter goals. Consequently, the Commission can expect that the Company will follow up its EE&C Plan with a prompt and aggressive Smart Meter Implementation Plan in August of 2009 and rate filing in 2010. The Company anticipates that its Smart Meter Implementation Plan filing in August of 2009 will request review and approval of the Plan by January 29, 2010.

#### **Total Resource Cost Test**

8. The Company's EE&C Plan is cost effective as defined by the Total Resource Cost Test outlined in the Commission's Order entered May 21, 2009. The cost effectiveness of the Company's individual EE&C programs is discussed in Section 8 of the EE&C Plan. The Company will review the final Pennsylvania-specific TRC Test Order, entered June 23, 2009, and will amend its filing by August 1, 2009 if changes to TRC testing are required.

### **Low-Income Customer Programs**

9. Section 2806.1(b)(1)(i)(G) provides that EE&C plans “shall include specific energy efficiency measures for households at or below 150% of the Federal poverty income guidelines.” The Company’s EE&C Plan contains three Programs specifically designated for low-income customers. These customers are also eligible to participate in all other Programs offered to Residential customers. The EE&C Plan contains a discussion of the low-income requirements of Section 2806.1 at Section 9.1.3 of the EE&C Plan.

### **Cost Recovery Mechanism and Deferral Authorization**

10. Section 2806.1(k) provides that EDCs “shall recover on a full and current basis from customers, through a reconcilable adjustment clause under section 1307, all reasonable and prudent costs incurred in the provision or management of a plan provided under this section.” The Company’s proposed cost-recovery mechanism is described in Section 7 of its EE&C Plan. Allegheny Power proposes to recover all reasonable and prudent program costs via a non-bypassable line-item surcharge on the customers’ monthly bills entitled “EE&C Surcharge.” The surcharge is proposed to be a levelized amount that is reconciled annually and after the end of the EE&C Plan period, May 31, 2013. For the purposes of the surcharge a “year” will be defined as June 1 through May 31 of the following year. The surcharge will include start-up costs and other prudent and reasonable costs, including administrative costs, incurred prior to the effective date of the surcharge.

11. Commission approval of the Company’s annual reconciliation mechanism to ensure dollar-for-dollar recovery of all prudently incurred costs through May 31, 2013, with a projected aggregated cost of \$94.25 million, will allow the Company to utilize regulatory accounting to properly match surcharge revenue with the program costs. Allegheny Power is

requesting authorization for regulatory accounting to track on a dollar-for-dollar basis the amounts to be recovered on a deferred basis for any under-collections, or refunded on a deferred basis any over-collections, that may occur throughout the duration of the surcharge, which can arise because of the levelized nature of the surcharge. Treatment of costs in this manner is necessary despite the availability of the Section 1307 process because the surcharge is designed as a levelized rate for the 43-month period, and over-/under-collections that are not necessarily recovered in the next true up opportunity can be anticipated to accrue. More than the typical request for authorization to defer and recover costs for accounting and financial reporting purposes, this request is supported by Act 129's specific cost recovery mandate that all reasonable and prudent costs incurred in the provision or management of an EE&C Plan be recovered on a full and current basis from customers. 66 Pa.C.S. §2806.1(k). These costs can be deemed to fit within the scope of types of costs that the Commission has allowed as an exception to the general rule against retroactive recovery of past costs, and therefore authorization to defer these costs for accounting and financial reporting purposes should be granted.

12. Allegheny Power will submit to the Commission by March 31 of each year: (1) a comparison between forecasted revenues billed and actual revenues billed through February, as adjusted for removal of gross receipts tax and the Commission assessment fee; (2) any adjustment to the forecasted revenues anticipated to be billed during March through May, as adjusted for removal of gross receipts tax and the Commission assessment fee; (3) any adjustment to the costs levelized over the 43-month period based upon actual costs incurred through February and any revised estimates for future months, up to the amount permitted to be recovered under Act 129; and (4) the subsequent reconciliation effect to the surcharge adjusted for gross receipts tax and the Commission assessment fee, and levelized over the period of the

upcoming June 1 and continuing through the remaining months of the surcharge. A final reconciliation of amounts to be collected or refunded after May 31, 2013, through a further surcharge, should be authorized by the Commission.

13. During the annual reconciliation process, additional changes to the surcharge rates could occur due to factors such as an update of forecasted billing determinants, re-evaluation or re-design of programs, and re-allocation of program costs to specific rate schedules/tariff. Proposed rate changes would be filed with the Commission and are subject to Commission approval in accordance with 66 Pa. C.S. § 1307.

**Recovery of Administrative Costs, including Employee Costs.**

14. Section 2806.1(b)(1)(i)(H) of the Public Utility Code provides that an EE&C Plan shall include measures “to ensure full and current recovery of the prudent and reasonable costs of the plan, including administrative costs....” The Implementation Order entered January 16, 2009, amplifies the scope of “administrative costs” as follows: “Administrative Costs would include, but not be limited to, costs relating to plan and program development, cost-benefit analysis, measurement and verification, and reporting.” (Implementation Order, p. 33.) Allegheny Power requests that the Commission specifically recognize that the Company may recover through a surcharge certain administrative costs it is incurring in the provision and management of its Plan. Those costs include the internal labor costs of the employees of the Company<sup>1</sup> in developing, providing and managing the Plan. Cost recovery would be analogous to the Commission's allowance of internal costs as a component of rate case expense. The Company specifically requests direction on the recovery of internal employee costs because such direction may influence or drive the Company's use of employees in its Act 129 activities.

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<sup>1</sup> Employees providing services to Allegheny Power are employees of Allegheny Power's affiliated service corporation, Allegheny Energy Service Corporation.

### **Implementation of, and Recovery for, Approved Programs if Plan Partially Disapproved**

15. Allegheny Power specifically requests that in the event some or a portion of Allegheny Power's proposed EE&C plan is found deficient or disapproved, the remaining portions of the Plan acceptable to the Commission be put into effect and that cost recovery for the effective portions of the Plan commence. It would be contrary to the interest of customers and the Company if all the EE&C programs are put on hold pending revision of a portion of the Plan under the 60-day revision period mentioned in Section 2806.1(e). Such delay would threaten achievement of the targeted energy and demand reductions. Similarly, delaying the entire surcharge pending revision of a portion of the Plan would be contrary to the public interest because such delay would increase the rate impact to customers when the surcharge commences.

**WHEREFORE** Allegheny Power respectfully requests that the Pennsylvania Public Utility Commission enter an Order approving Allegheny Power's Energy Efficiency and Conservation Plan; and further:

1. Allegheny Power requests that the Commission approve the individual programs listed by the Company in its EE&C Plan;
2. Allegheny Power requests that the Commission approve the reconcilable cost recovery mechanism and Tariffs submitted by the Company;
3. Allegheny Power requests that the Commission approve surcharge recovery to begin effective on one day's notice upon Commission approval of the Plan, or portions of the plan, within 120 days of the plan submission date;
4. Allegheny Power requests that the Commission approve the Company's annual reconciliation mechanism to ensure dollar-for-dollar recovery of all prudently incurred costs and

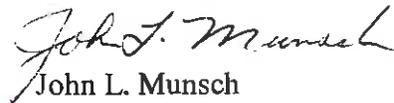
to allow the Company to utilize regulatory accounting to properly match surcharge revenue with the program costs;

5. Allegheny Power requests that the Commission allow recovery of Allegheny Power's internal administrative costs relating to development, provision and management of the EE&C Plan;

6. Allegheny Power requests that, in the event some part or a portion of Allegheny Power's EE&C Plan is found deficient, the remainder of the Plan be approved for implementation and cost recovery via reconcilable surcharge; and

7. Allegheny Power requests that the Commission take such additional action consistent with this Petition, the proposed EE&C Plan and with the public interest.

Respectfully submitted,



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