

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

DIRECT TESTIMONY OF

ROGER J. HEASLEY

ON BEHALF OF

WEST PENN POWER COMPANY d/b/a/ ALLEGHENY POWER

STATEMENT NO. 1

Dated: June 29, 2009

1 Q. **Please state your name and business address.**

2 A. Roger J. Heasley, Chapel Hill Professional Center, 126 Mathews Drive, Suite 1000,
3 Greensburg, PA 15601.

4

5 Q. **By whom are you employed and in what capacity?**

6 A. I am employed by Allegheny Energy Service Corporation as Director of Customer
7 Management. My time is devoted to tasks performed for the regulated utility companies
8 of Allegheny Energy, Inc. The regulated utility companies are West Penn Power
9 Company, serving customers in Pennsylvania; The Potomac Edison Company, serving
10 customers in Maryland and West Virginia; and Monongahela Power Company, serving
11 customers in West Virginia. All three regulated companies conduct business in their
12 respective jurisdictions under the trade name "Allegheny Power."

13

14 Q. **What is the scope of your testimony in this proceeding?**

15 A. In this proceeding Allegheny Power is requesting Commission approval of its Energy
16 Efficiency and Conservation ("EE&C") Plan. The EE&C Plan is a requirement under
17 Section 2806.1 of the Pennsylvania Public Utility Code that was added by the General
18 Assembly in 2008 in its Act 129 of 2008 ("Act 129"). My testimony will describe the
19 Allegheny Power organization structure for the development of the EE&C Plan; it will
20 describe the stakeholder meetings that Allegheny Power held during the development of
21 the Plan; and I will go through the Act 129 requirements for the EE&C Plan and refer to

1 the location of the requirements in the Plan. Mr. Edward C. Miller's testimony,
2 Statement No. 2, addresses development of the EE&C Plan, the reductions in electricity
3 consumption and demand that will be obtained by the Plan within expense limits, and the
4 cost effectiveness of the Plan. Mr. Raymond E. Valdes in Statement No. 3 testifies on the
5 determination of EE&C Plan costs, the allocation of those costs to customer classes and
6 the proposed cost recovery tariff mechanism. Finally, Mr. Ethan L. Cohen in Statement
7 No. 4 supports the use of Advanced Metering Infrastructure, smart meters and the EE&C
8 Plan elements that relate to that technology.

9
10 Q. **Please describe your educational and professional qualifications.**

11 A. I have been employed by Allegheny Energy for twenty-four years. I have held various
12 engineering and management positions in Customer Services, Customer Accounting,
13 Customer Credit & Collections, Building Management, Operations Management, Sales &
14 Marketing, Safety, Training, Environmental, and Customer Management. I hold a
15 Bachelor of Science degree in Electrical Engineering from The Pennsylvania State
16 University.

17
18 Q. **What are your primary job functions as Director of Customer Management?**

19 A. I have executive staff responsibilities directing Allegheny Power's Customer
20 Management Group. My primary job functions include directing Allegheny Power's
21 efforts around the development and implementation of Energy Efficient & Conservation /

1 Demand Response (EE&C/DR) programs across all states; Smart Meter / Smart Grid
2 initiatives; customer service to, and relationships with, large commercial and industrial
3 (C&I) electric customers; development and administration of customer programs;
4 development, sales, and control of non-basic products and services; community relations;
5 economic development; and the administration of local governmental affairs.

6
7 **Q. Please describe the management structure of the group at Allegheny Power that has**
8 **put together the Company's Act 129 Energy Efficiency and Conservation Plan.**

9 **A:** This information is found in Section 4.2.1. of the EE&C Plan. The Customer
10 Management group is responsible for portfolio development and evaluation,
11 implementation, measurement and verification, and reporting of the EE&C Plan. The
12 Customer Management group reports to the Company's Executive Director of Customer
13 Service. Program level reviews, including program metrics, are completed by Customer
14 Management.

15 Corporate Communications is responsible for all internal and external portfolio
16 communication coordination with the exception of providing EE&C Plan training for key
17 employees. This is handled by Customer Management as a part of Implementation.

18 Customer Management is responsible for budgeting, tracking, and reporting of
19 Plan financials. Program Managers are responsible for financial management and review
20 of assigned programs.

1 Procurement for Plan services is the responsibility of the Program Managers with
2 guidance and assistance from the Procurement group. All services are competitively bid
3 per company business practice. Approvals of contracts and purchase requisitions follow
4 the company's business practice for control compliance.

5 Plan Quality Assurance/Quality Control will be the responsibility of Customer
6 Management in conjunction with the Allegheny Power Audit Services group. All
7 applicable Sarbanes-Oxley Act Controls and Business Practices will be followed and a
8 review and/or audit will be completed annually.

9 Finally, an organization chart illustrating the management structure is provided at
10 Section 4.2.1 of the Plan.

11
12 **Q. Did the Company seek public input in putting together its EE&C Plan?**

13 **A.** Yes, the Company held 10 stakeholder meetings at various locations for various
14 constituents. At the meetings Allegheny Power representatives described the EE&C
15 Plan, plus developing elements of its Smart Meter Plan, with emphasis on the interest of
16 the particular invitees to the stakeholder meeting.

17 The first meeting was held in Camp Hill, Pennsylvania, on April 8, 2009. It was
18 primarily attended by Commission and Commonwealth representatives as well as
19 industry and customer representatives.

20 The second meeting was held in Greensburg, Pennsylvania on April 23, 2009 and
21 was focused on information for municipalities.

1 The third meeting was held in Uniontown, Fayette County, Pennsylvania on May
2 5, 2009. The focus of that meeting was low income customers.

3 The fourth meeting was held in the City of Butler, Butler County, Pennsylvania
4 on May 7, 2009. The focus was again on low income customers.

5 The fifth meeting was held at the Radisson Penn Harris Hotel & Convention
6 Center, Camp Hill, Pennsylvania on May 11, 2009. The meeting focused primarily on
7 the rate options anticipated by the Company under its EE&C plan. The meeting was
8 attended by a wide range of parties, including the Office of Consumer Advocate, the
9 Office of Small Business Advocate, Commission staff members, the Penn State
10 Extension Service, smart meter suppliers, gas suppliers, and customer representatives.

11 The sixth meeting(s) was held in Latrobe, Pennsylvania on May 12-13, 2009 as
12 part of the Latrobe Chamber's "Chamber Fest." It was primarily attended by small and
13 medium businesses in Westmoreland County.

14 The seventh meeting was held May 13, 2009, at the Company's corporate
15 headquarters in the City of Greensburg, Westmoreland County, Pennsylvania. It was
16 attended by Pennsylvania local and state regulatory representatives. It focused primarily
17 on EE&C/DR program development for Federal, State and Local Governments and non-
18 profit entities.

19 The eighth meeting was held June 3, 2009 at the Radisson Hotel, Camp Hill,
20 Pennsylvania. It was primarily to review Allegheny Power's Act 129 proposed programs.

1 A ninth meeting was held June 5, 2009 in Williamsport, Pennsylvania, with
2 municipal authority representatives.

3 The tenth meeting was held June 10, 2009, at the Company's Greensburg,
4 Pennsylvania, corporate center. It was attended by county administrators from Allegheny
5 Power's service territory.

6 On June 11, 2009, the Company made a pre-filing presentation to stakeholders in
7 Harrisburg including members of Commission staff and other regulatory representatives.

8 Finally, the Company is planning to meet with representatives of the collective
9 bargaining unit in the near future to discuss Act 129.

10
11 **Q. Did the stakeholder meetings develop or point out any major recurring issues or**
12 **concerns among stakeholders?**

13 **A.** No major irresolvable issues or concerns were identified through the stakeholder
14 meetings. The Company appreciates the comments and feedback provided by the various
15 parties and has attempted to incorporate these into the Plan as proposed. The majority of
16 comments and feedback provided tended to be more specific to Program, Measure and
17 Implementation elements including program and measures suggestions and enhancements
18 as well as interest for providing specific implementation or other services.

19
20 **Q. What CSP contracts have been awarded by the Company to date?**

1 A. The Company is including a CSP contact in the Plan for a Demand Response study that
2 will support the development of a detailed implementation plan for the Company's
3 Customer Load Response or Contracted Demand Response Programs that are required in
4 2012. The RFP and PO that comprise this CSP contract can be found in Section 10,
5 Appendix C of the Plan.

6

7 Q. **Have the contracts with the CSPs been approved by the Commission?**

8 A. The Commission has approved the Company's standard form CSP contract.

9

10 Q. **How many other contracts with CSPs does the Company expect to enter, and on
11 what timetable?**

12 A. The Company anticipates hiring several CSPs in providing certain aspects of the Plan. In
13 addition to the Demand Response study mentioned above, additional contracts are
14 anticipated for various implementation components and for some specific services that
15 will be finalized when detailed implementation plans are completed for the Company's
16 Programs. The Company has issued an RFP and plans to contract with a Recycling
17 Vendor who will handle the dismantling and recycling of refrigerators, freezers and room
18 air conditioners that are removed by the Company through the recycling component of
19 the Energy Star and High Efficiency Appliances program. The vendor has applied to be a
20 CSP in Pennsylvania.

21 Q. **How is program work allocated between the Company and CSPs?**

1 A. The Company looks forward to developing relationships with the CSPs recognizing their
2 expertise will support the success of the Company's programs. The Company will work
3 with the CSPs on a case by case basis to identify the best work allocation between the
4 Company and the CSP to support the success of the services being provided.

5

6 Q. **Does the Allegheny Power EE&C Plan contain contents required under Act 129?**

7 A. Yes. Act 129 basically has a checklist of requirements in Section 2806.1(b)(1)(i). The
8 Commission's Implementation Order reiterates the requirements in its footnote 5, page
9 11, and adds additional requirements at pages 10-11. Finally, the Commission issued a
10 detailed template for the format of the Plan, as revised May 5, 2009. The Company has
11 followed the template issued by the Commission.

12

13 Q. **Has the Company addressed the requirements of the EE&C plan as outlined in the
14 Implementation Order issued January 16, 2009?**

15 A. Yes. On pages 11 and 12 of the Implementation Order, the Commission presented ten
16 requirements of EDCs' EE&C plans. In the following response, I reference the ten
17 elements and their location in the EE&C Plan.

18

19 1. *A detailed plan addressing each of the requirements in 66 Pa. C.S. §*
20 *2806.1(b)(1)(i).*

1 The specific requirements of 66 Pa. C.S. § 2806.1(b)(1)(i) are listed in items (a)
2 through (k) in the following question.

- 3
4 2. *Sufficient supporting documentation and verified statements or testimony or both.*

5 Allegheny Power has submitted written direct testimony in support of its verified
6 Petition and EE&C Plan

- 7
8 3. *Approved contract(s) with one or more CSPs.*

9 See Section 10, Appendix C of the Plan for the approved contract with a CSP

- 10
11 4. *Description of the work and measures being performed by CSPs and by the EDC*
12 *along with a justification for the allocation.*

13 Section 4.3 contains information about CSPs, including identifying information
14 and selection criteria. Section 5.2.1 contains a description of EDC and CSP
15 performance and expenditures.

16 Roth Bros. Inc. will assume all responsibility for the demand response market
17 assessment completion and report preparation. Roth Bros. Inc. and Enerlogics
18 submitted a joint proposal to provide a market assessment of the demand response
19 market for Allegheny Power's small and large, commercial and industrial,
20 governmental and non-profit customer segments. Enerlogics has developed
21 demand response systems for PJM and numerous commercial, industrial, and

1 institutional customers and specializes in software and telecommunications
2 systems related to demand response. The staff at Enerlogics has significant
3 experience with implementing and designing demand response programs and
4 presented a customized proposal that addressed Allegheny Power's concerns with
5 market assessment, program design, implementation, and required support.
6 Allegheny Power will provide project and contract oversight as well as any
7 necessary support required for successful project completion.

8 Possible future CSP and Allegheny Power work allocations will be determined
9 during the RFP process. Criteria for determining this allocation includes, but is
10 not limited to: skill, knowledge, and capability required for success; tools and
11 equipment required to perform tasks; support infrastructure required; and cost to
12 provide requested services.

13
14 5. *A budget showing total planned expenditures by program and customer class.*

15 Planned expenditures by program and customer class by year are shown in Table
16 3 in Section 2 and in Table 6 in the Appendices in Section 10. Planned
17 expenditures for each program are also included in Sections 3.2 to 3.5 of the Plan.

18
19 6. *Tariffs and a Section 1307 cost recovery mechanism.*

20 The cost recovery mechanism is described in Section 7 of the EE&C Plan.
21

1 7. *The Commission approved consumption forecast for the period of June 1, 2009*
2 *through May 31, 2010.*

3 Section 10, Appendix A shows consumption forecast for June 1, 2009 through
4 May 31, 2010 as filed with the Commission by the Company on February 9,
5 2009. The Commission approved Allegheny Power's consumption forecasts via
6 Secretarial Letter dated March 30, 2009 at Docket No M-2008-2069877.

7
8 8. *A weather adjustment calculation that meets the requirements outlined in Section*
9 *H of this Implementation Order.*

10 Allegheny Power filed its weather adjustment calculation as Exhibit 3 to its
11 consumption forecast filing on February 9, 2009. The Commission approved
12 Allegheny Power's consumption forecasts via Secretarial Letter dated March 30,
13 2009 at Docket No M-2008-2069877

14
15 9. *The commission approved average of the EDC's 100 highest peak hours during*
16 *the period of June 1, 2007 through September 30, 2007.*

17 Allegheny Power filed its forecast filing on February 9, 2009. The Commission
18 approved Allegheny Power's consumption forecasts via Secretarial Letter dated
19 March 30, 2009 at Docket No M-2008-2069877. The 100 highest peak hours for
20 the period 6/1/2007 through 9/30/2007 are provided in Section 10, Appendix B.

21

1 10. *A description of the EDC's method for monitoring and verifying plan results.*

2 See Section 6 of EE&C Plan.

3
4 Q. **In its footnote No. 5, in the Implementation Order, the Commission reiterated the**
5 **list of Plan requirements in Section 2806.1 (b)(1)(i), (A) through (K). Does**
6 **Allegheny Power's EE&C Plan meet the (A) through (K) requirements?**

7 A. Yes. In this response I will reference each item of A through K and their location in the
8 EE&C Plan.

9
10 a) *Specific proposals to implement EE&C measures that at least achieve the required*
11 *consumption reductions.*

12 Allegheny Power's EE&C Plan presents 22 programs, as summarized in Section
13 1.1 of the Plan. The programs combine to meet the target reductions, as outlined
14 in Table 2 of the Plan. Additional program details can be found in Sections 3.2 to
15 3.5 of the Plan.

16
17 b) *Specific proposals to obtain 10% of required consumption reductions from units*
18 *of federal, state and local governments, to include municipalities, school districts,*
19 *institutions of higher education and nonprofit entities.*

20 Plan Section 3.5 contains the description of specific programs for the
21 governmental and non-profit sectors. It should be noted that the

1 Governmental/Non-Profit customers are eligible for all Programs offered to Small
2 Commercial and Industrial customers, and that the Company will track the
3 participation by Governmental/Non-Profit customers in all programs to ensure
4 that the Plan obtains at least a 10% of consumption reduction from these
5 customers.

6
7 *c) An explanation of how quality assurance and performance will be measured*
8 *verified and evaluated.*

9 See Plan Section 6.

10
11 *d) A statement delineating the manner in which the plan will achieve the*
12 *requirements of the program under 66 Pa. C.S. §§ 2806.1(a), 2806.1(c) &*
13 *2860.1(d).*

14 Section 2806.1(a) was the Legislature's directive to the Commission to develop
15 an energy efficiency plan for state EDCs. The Commission's January 16, 2009
16 Implementation Plan accomplished the General Assembly's directive. As for the
17 other two sections, Section 2806.1(c) provides the EDC consumption reduction
18 requirements of one percent by mid 2011 and three percent by mid 2013, and
19 Section 2806.1(d) sets a 4.5% reduction in annual system peak by mid 2013.
20 Allegheny Power's anticipated programs for meeting the reductions of
21 consumption and peak demand are fully described in Section 3 of the Plan. A

1 summation of the programs' anticipated contribution, as a percentage of total
2 target reductions for consumption and peak demand, is provided in Table 2.

3
4 *e) Contracts(s) with one or more CSPs selected by competitive bid to implement all
5 or part of the plan as approved by the Commission.*

6 A contract with a CSP is provided in Section 10, Appendix C of the Plan. The
7 contract form was approved by the Commission in its Secretarial Letter dated May
8 6, 2009, at Docket No. M-2009-2093218.

9
10 *f) Estimates of the cost of implementing the EE&C measures.*

11 See Section 2.2 of the EE&C Plan and Table 6.

12
13 *g) Specific measures for households at or below 150% of the federal poverty income
14 guidelines, the number of which shall be proportionate to those households' share
15 of the total energy usage in the service territory.*

16 See Section 9.1.3.

17
18 *h) A proposed cost-recovery mechanism, in accordance with Section 1307, 66 Pa.
19 C.S. § 1307, to fund the EE&C measures, to include administrative costs.*

20 Company witness Raymond Valdes describes the proposed cost recovery
21 mechanism in his direct testimony. It is also described in Section 7 of the plan.

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i) *A demonstration that the plan is cost-effective through a total resource cost test approved by the Commission and that provides a diverse cross-section of measures for customers of all rate classes.*

The EE&C Plan at its Section 8 contains a description of the TRC test and cost-effectiveness.

j) *A statement delineating how an annual independent evaluation of cost-effectiveness will be accomplished, as well as a full review of the results of each five-year plan. Furthermore, to the extent practical, provide a description of how the plan will be adjusted as a result of these evaluations.*

See Section 6 of the EE&C Plan.

k) *An analysis of the EDC's administrative costs associated with the implementation of the plan.*

Administrative costs are found at Section 4.2.3 Sections 10(D), 10 (E) and 7.2

Q. **Does this conclude your testimony?**

A. Yes.