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800 Cabin Hill Drive  
Greensburg, PA 15601-1689  
PH: (724) 838-6210  
FAX: (724) 830-7737  
jmunsch@alleghenyenergy.com

December 21, 2009

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

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

Re: **Technical Conference – Compliance of Commonwealth of Pennsylvania with Section 401(a) of the American Recovery and Reinvestment Act of 2009; Docket No. I-2009-2099881; Comments of West Penn Power Company d/b/a Allegheny Power**

Dear Secretary McNulty:

West Penn Power Company d/b/a Allegheny Power (“Allegheny Power” or “the Company”) submits comments in regards to the Technical Conference that was held on November 19, 2009, in the above-captioned docket.

The Technical Conference was held as part of the Commission’s efforts to ensure compliance by the Commonwealth of Pennsylvania with Section 410(a) of the American Recovery and Reinvestment Act of 2009 (“Recovery Act”). The Recovery Act requires the Commission to consider rate making policies that align with the promotion of energy efficiency and conservation. In particular, the Commission sought comments about the issue of rate decoupling and its potential to encourage energy efficiency and conservation while ensuring the financial viability of utilities.

Rate decoupling, also known as revenue decoupling, separates a utility’s level of sales from the level of revenues it is authorized to collect. One objective of revenue decoupling is to strike a balance of promoting energy efficiency that results in decreased energy sales while giving the utility an assurance that it will be given the opportunity to recover its expenses associated with delivering energy and without significantly impacting the utility’s ability to earn its authorized rate of return on rate base investment.

Allegheny Power supports the use of rate decoupling for residential and certain small commercial and industrial customers (Schedule 20) distribution revenues and urges the Commission to advance its use in Pennsylvania. A revenue decoupling mechanism functions to true-up the “Actual Revenue per Customer” to the “Allowed Revenue per Customer,” with the “Allowed Revenue per Customer” being reset during a base rate proceeding. A properly

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designed revenue decoupling mechanism is advantageous for distribution utilities facing persistent declining sales and also helps to stabilize customer rates.

In addition to revenue decoupling, the Commission should adopt affirmative, positive incentives for utilities to promote conservation. The magnitude of the undertakings to comply with Act 129 poses significant execution risks to the companies, notwithstanding the potential compliance penalties contained in the Act. Implementation of these mechanisms should be voluntary, instead of a one-size-fits-all approach. Allegheny Power urges the Commission to remain open and flexible when reviewing alternate rate mechanisms that would achieve timely revenue adjustments to offset the effects of energy efficiency and conservation programs on utility sales.

Respectfully submitted,

  
John L. Munsch  
Attorney

JLM:sac

cc: Certificate of Service  
Steve Bainbridge, Esq., [sbainbridg@state.pa.us](mailto:sbainbridg@state.pa.us)  
Ed Berzonsky, [eberzonsky@state.pa.us](mailto:eberzonsky@state.pa.us)

Re: Docket No. I-2009-2099881

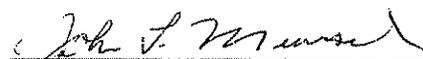
**CERTIFICATE OF SERVICE**

I hereby certify that on the 21<sup>st</sup> day of December, 2009, a true and correct copy of  
**Comments** of West Penn Power Company d/b/a Allegheny Power were served by U.P.S. Next  
Day upon the following:

Office of Consumer Advocate  
555 Walnut Street  
Forum Place, Fifth Floor  
Harrisburg, PA 17101-1923

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

McNees Wallace & Nurick LLC  
Counsel for West Penn Power Industrial Intervenors  
100 Pine St.  
Harrisburg, PA 17108

  
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John L. Munsch  
Attorney for  
WEST PENN POWER COMPANY