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August 31, 2009

VIA ELECTRONIC FILING

James J. McNulty
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Pennsylvania Public Utility Commission
Commonwealth Keystone Building
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In re: Docket No. M-2009-2093218
Petition of West Penn Power Company dba Allegheny Power

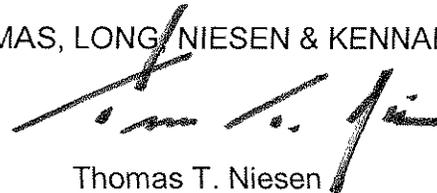
Dear Secretary McNulty:

Enclosed for filing on behalf of The Pennsylvania State University is the original paper copy of its Main Brief in the above matter. The e-filing receipt is attached to the paper copy. Copies of the Main Brief were served upon the persons and in the manner set forth on the certificate of service attached to it.

Very truly yours,

THOMAS, LONG/NIESEN & KENNARD

By



Thomas T. Niesen

Encl.

cc: The Honorable Katrina L. Dunderdale (w/encl.)
Certificate of Service(w/encl.)

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Before the
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Administrative Law Judge
Katrina L. Dunderdale, Presiding

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 :

MAIN BRIEF
OF
THE PENNSYLVANIA STATE UNIVERSITY

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DATED: August 31, 2009

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I. INTRODUCTION

This proceeding concerns the Energy Efficiency and Conservation Plan ("EE&C Plan") filed by West Penn Power Company d/b/a Allegheny Power ("Allegheny") on July 1, 2009 pursuant to the requirements of Act 129 of 2008, P.L. 1492 ("Act 129"), 66 Pa.C.S. §§ 2806.1-2806.2. The EE&C Plan was accompanied by a Petition asking that the Pennsylvania Public Utility Commission ("Commission") approve the EE&C Plan and related requests, including the recovery via a reconcilable surcharge of reasonable and prudent costs for providing and managing the EE&C Plan.

The Pennsylvania State University ("Penn State" or "University") is a major generation, transmission, and distribution service customer of Allegheny at its University Park campus receiving service through Allegheny Tariff No. 37 ("Tariff 37"). In 2008, the University received 305,449,972 Kwh of electric energy from Allegheny at the University Park campus and paid Allegheny \$13,039,810 for generation, transmission, and distribution service. Penn State is the only customer that Allegheny serves under Tariff 37. Penn State St. No. 1 at 2 and 4.

The University also receives generation, transmission, and distribution service from Allegheny under Tariff No. 39 ("Tariff 39") for approximately 100 additional accounts at the University Park campus and campuses at New Kensington, Fayette and Mont Alto. In 2008, the University received 36,832,132 Kwh of electric energy from Allegheny and paid Allegheny \$2,265,441 for generation, transmission, and distribution service through these other accounts. Penn State St. No. 1 at 3.

Allegheny's EE&C Plan includes proposed energy efficiency and conservation plan services for Penn State's University Park campus under Tariff 37 as well as proposed energy efficiency and conservation plan services for all other Allegheny customers, including other accounts of the University at University Park and other campuses, under Tariff 39.

The focus of the University's intervention and participation is the EE&C Plan services for Tariff 37. Within its Plan, Allegheny has inequitably and inappropriately classified Tariff 37 "similarly as" Tariff 39 Schedule 30 (Large) customers and inequitably and inappropriately identified Tariff 37 for participation in its proposed Lighting Efficiency Program and proposed Distributed Generation Program.

The cost recovery surcharge mechanism proposed by Allegheny as part of its EE&C Plan anticipates an Allegheny monthly surcharge to the University of \$17,725.29, or approximately \$210,000 annually, under Tariff 37. Penn State St. No. 1 at 3 and 6. Approximately one-third of the monthly surcharge or \$6,644.08 occurs as a result of the proposed participation of Tariff 37 in the Lighting Efficiency Program. Penn State St. No. 1 at 6.¹

¹ These proposed additional charges would, of course, be on top of the "market" rates for generation service that Penn State is already presently paying for electric service to University Park. As addressed *infra*, Penn State is the only Allegheny customer not presently protected by capped rates for electric generation service. Penn State St. No. 1 at 3-4.

II. PROCEDURAL HISTORY

On or about July 1, 2009, Allegheny filed a petition seeking approval of its EE&C Plan, pursuant to the requirements of Act 129, and related requests, including the recovery via a reconcilable surcharge of reasonable and prudent costs for providing and managing the EE&C Plan. Notice of the filing was published in the *Pennsylvania Bulletin* on July 18, 2009. 39 Pa. B. 4197.

The matter was assigned to Administrative Law Judge Katrina L. Dunderdale. A Prehearing Order and a Prehearing Conference Order were issued, respectively, on July 1 and July 13, 2009.

Penn State filed a Petition to Intervene on July 28, 2009. Its intervention was not opposed, and its petition was granted by Second Prehearing Order, dated July 30, 2009, and Third Interim Order, dated July 31, 2009.²

An Initial Prehearing Conference was held on July 28, 2009 and a schedule for the proceeding was established. A hearing was held before Judge Dunderdale on August 19, 2009. Penn State actively participated in the proceeding, presenting Penn State Statement No. 1, the prepared written direct testimony of Michael I. Prinkey.

Penn State submits this Main Brief in accordance with the briefing schedule set forth in the Second Prehearing Order.

² Other intervenors include the Office of Consumer Advocate, the Office of Small Business Association, UGI Utilities, Inc., UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc., West Penn Power Industrial Intervenors, Pennsylvania Department of Environmental Protection (“DEP”), Pennsylvania Association of Community Organizations for Reform Now, Direct Energy Business, LLC, Clear Choice Energy, Field Diagnostic Services, Inc., National Fuel Gas Distribution Corporation, The Peoples Natural Gas Company d/b/a Dominion Peoples, Columbia Gas of Pennsylvania, Inc., E Cubed Company, LLC on behalf of the National Association of Energy Service Companies and the Joint Supporters, EnerNOC, Inc., and Constellation NewEnergy, Inc. The Office of Trial Staff filed a Notice of Appearance.

III. DESCRIPTION OF EDC PLAN

Allegheny's EE&C Plan proposes to implement twenty-two programs, measures, and rate offerings to satisfy its Act 129 requirements. Within those twenty-two programs are ten energy efficiency and conservation programs identified specifically for Tariff 39 non-residential rate schedules and Tariff 37. The following chart, which appears at page 182 of Allegheny's EE&C Plan, identifies the ten proposed programs and their proposed distribution and program cost allocation among Allegheny's non-residential Tariff 39 rate schedules and Tariff 37:

Tariff Classification	Commercial HVAC Efficiency Program	Lighting Efficiency Program	Governmental/ Non-Profit Tariff Signals Measure	Custom Technology & Applications Program	Commercial and Industrial Drives Program	Custom Applications Program	Customer Load Response Program	Distributed Generation Program	Time of Use (TOU) with Critical Peak Pricing Rate	Hourly Pricing Option (HPO) Rate
Tariff No. 39, Schedule 20	X	X	X						X	X
Tariff No. 39, Schedule 22	X	X							X	X
Tariff No. 39, Schedule 30 (small)	X	X		X	X		X	X	X	X
Tariff No. 39, Schedule 30 (large)		X		X	X	X	X	X		
Tariff No. 39, Schedule 40				X	X	X	X	X		
Tariff No. 39, Schedule 41				X	X	X	X	X		
Tariff No. 39, Schedule 44				X	X	X	X	X		
Tariff No. 39, Schedule 46				X	X	X	X	X		
Tariff No. 37		X			X	X	X	X		

The above distribution and allocation reflects a decision made by Allegheny to classify Tariff 37 "similarly as" Tariff 39 Schedule 30 (Large) customers. Allegheny EE&C Plan at 182.³ Thereafter, Allegheny earmarked Tariff 37 for participation in five of Allegheny's ten proposed EE&C Plan Programs as presented above: the Lighting Efficiency Program; the Commercial and Industrial Drives Program; the Custom Applications Program; the Customer Load Response Program; and the Distributed Generation Program. Penn State St. No. 1 at 5.⁴

³ Allegheny did not seek the input of the University, one of its largest customers, prior to classifying Tariff 37 similarly as Tariff 39 Schedule 30 customers. Penn State St. No. 1 at 4.

⁴ Allegheny did not seek the input of the University, one of its largest customers, concerning the equitable distribution of EE&C Plan programs to Tariff 37. Penn State St. No. 1 at 4.

IV. SUMMARY OF ARGUMENT

The decision by Allegheny to classify Tariff 37 “similarly as” Tariff 39 Schedule 30 (Large) customers is inequitable, inappropriate and inconsistent with both Act 129 and Allegheny’s recent post-2010 default service proceeding to the extent that it results in Tariff 37 being included with Tariff 39, Schedules 20, 22, 30 (Small) and 30 (Large) in the Lighting Efficiency Program.

Tariff 37 should be reclassified and then excluded from the Lighting Efficiency Program since no opportunity exists for the University Park campus to participate in the Program and, under the circumstances presented here, it would cause the University to unreasonably subsidize other customers, particularly small commercial customers, who would benefit from the Program. Tariff 39 Schedules 20 and 22 general service customers are not participants in any of the other EE&C Plan programs sponsored by Allegheny for Tariff 37.⁵

Of the remaining four programs - - the Commercial and Industrial Drives Program, the Custom Applications Program, the Customer Load Response Program, and the Distributed Generation Program - - the University should be excluded from the Distributed Generation Program. The Distributed Generation Program is designed for customers with existing generators; however, Penn State’s generators cannot be used for the Program because of air quality permitting limitations.

⁵ The University, of course, would still be a participant in the Lighting Efficiency Program through its approximate 100 Tariff 39 accounts. Its opposition to the Lighting Efficiency Program does not concern its Tariff 39 service but rather its much larger and very different Tariff 37 service.

V. ARGUMENT

A. Act 129 Conservation and Demand Reduction Requirements

1. Overall Conservation Requirements

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

a. 2011 Requirements

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

b. 2013 Requirements

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

2. Overall Demand Reduction Requirements

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

3. Requirements for a Variety of Programs Equitably Distributed

Section 2806.1(1)(5), 66 Pa.C.S. § 2806.1(a)(5), requires the Commission to establish EE&C Program standards that ensure that each plan includes a variety of energy efficiency and conservation measures and will provide the measures "equitably" to all classes of customers. Act 129 does not directly address how customers are to be separated by "class" for purposes of EE&C Plan filings. Section 2806.1(b)(1)(i)(I), 66 Pa.C.S. § 2806.1(b)(1)(i)(I), only provides, *inter alia*, that an EDC must demonstrate that its EE&C Plan provides a diverse cross section of alternatives for customers of all rate classes.

Allegheny's EE&C Plan for Tariff 37 does not reflect an equitable distribution of EE&C measures to Tariff 37. University Park is separate and apart from all other customers on the Allegheny system. It is the *only* customer that Allegheny serves under its Tariff 37. All other Allegheny customers receive service under Allegheny's Tariff 39. Penn State St. No. 1 at 4.

Unlike other customers on the Allegheny system, the University receives service from Allegheny at five substations around the campus at 12,500 volts. Upon receiving service at the five substations, Penn State, not Allegheny, distributes electricity through its own facilities to

meet the needs of over 900 buildings at its 8500 acre University Park campus. Penn State St. No. 1 at 4.

Significantly, University Park under Tariff 37 is the *only* Allegheny customer not presently protected by capped rates for electric generation service. All Tariff 39 customers, whether residential, commercial or industrial, are presently protected by capped rates for electric generation service. Penn State St. No. 1 at 3.⁶

Allegheny's Proposed Lighting Efficiency Program for Tariff 37

The EE&C Plan presented by Allegheny classifies Tariff 37 "similarly as" Tariff 39 Schedule 30 (Large) customers. The end result of this classification is that Tariff 37 was deemed appropriate by Allegheny for inclusion in its proposed Lighting Efficiency Program, together with Tariff 39, Schedule 20, Schedule 22, Schedule 30 (Small) and Schedule 30 (Large). Allegheny did not seek the input of the University, one of its largest customers with service under a separate Tariff, prior to classifying Tariff 37 "similarly as" Tariff 39 Schedule 30 customers or prior to including it in the Lighting Efficiency Program with Tariff 39 Rate Schedules. Penn State St. No. 1 at 4.

Allegheny acknowledges that its grouping of customers into customer classes within its EE&C Plan is "not perfect." Allegheny Exhibit No. 1 at 182. Penn State agrees with Allegheny's assessment, but rather than accept the imperfection, Penn State believes that the grouping should be revised and improved upon by removing Tariff 37 from the grouping that includes

⁶ The testimony of Allegheny witness Miller at page 11 of Allegheny Power Statement No. 2 that Allegheny's generation rate cap ends on December 31, 2010 is not accurate in regard to Tariff 37 and the more than 300,000,000 kWh of energy purchased by Penn State for University Park under Tariff 37. In Opinion and Orders entered September 11, 2008 and December 9, 2008 at Dockets Nos. P-2007-2001828 and P-2008-2021608, the Commission agreed with Allegheny that the generation rate cap for Tariff 37 ended on December 31, 2008. Penn State has appealed the Commission's Opinions and Orders to the Commonwealth Court but has been paying market rates for generation to Allegheny's generation affiliate, Allegheny Energy Supply Company, LLC, since January 1, 2009. These rates are approximately \$9,000,000 a year higher than capped rates. Allegheny's EE&C Plan for Tariff 37 makes no mention of these circumstances nor was the Plan designed with any recognition of these circumstances. Penn State St. No. 1 at 3-4.

Tariff 39 Schedule 30 (Large) for EE&C Plan purposes and from the Lighting Efficiency Program.

Tariff 37 lacks any reasonable similarity to Tariff 39 Schedule 30 (Large) customers. Schedule 30 customers have a demand between 100 kW and 2000 kW. Penn State is much larger, with a demand of 50,000 kW (50 MW). Penn State's average monthly load, moreover, is also notably higher than that of Allegheny's Tariff 39 Schedule 30 customers. Penn State bears even less similarity to even smaller, mid-size customers receiving service under Tariff 39, Schedule 30 (Small) and general service customers receiving service under Tariff 39, Schedule 20 and Schedule 22.

Perhaps even more significantly in regard to customer classification for EE&C Plan purposes, in the recently concluded post-2010 Allegheny default service proceeding, Tariff 37 was deemed similar to Service Type 40 large industrial customers for the purpose of default service procurement, not Service Type 30 mid-size commercial and industrial customers and even smaller Service Type 20 general service customers.⁷

Appropriately classified with large customers (and not mid-size and general service customers) for EE&C Plan purposes, Penn State would be removed from participation in the Lighting Efficiency Program. None of Allegheny's Tariff 39 Service Type 40 rate schedules is deemed appropriate for the Program. Allegheny EE&C Plan at 182. Tariff 37 and University Park, likewise, should be excluded from the Lighting Efficiency Program.

Regardless of any reclassification, Allegheny should not have included Tariff 37 in the Lighting Efficiency Program under any circumstance. Allegheny included participants in the Lighting Efficiency Program because of a presumed potential to take advantage of the Program. Allegheny EE&C Plan at 183.

⁷ See Opinion and Order of the Public Utility Commission entered July 25, 2008 at Docket No. P-00072342.

Few opportunities exist for University Park Tariff 37 to participate in the Lighting Efficiency Program. The University has already made large investments in the replacement of lighting at University Park.⁸ Any other lighting improvements would be outside of the incentives proposed in the Lighting Efficiency Program and would probably fall under the proposed Custom Applications Program. Penn State St. No. 1 at 7.⁹

Penn State is a proponent of energy efficiency and conservation programs.¹⁰ However, the equitable distribution of Allegheny's proposed EE&C Plan programs as required by Act 129 justifies a reclassification of Tariff 37 and the exclusion of it from the Lighting Efficiency Program for all of the reasons set forth above.¹¹

Allegheny witness Miller addressed the University's position at pages 24 through 26 of his reply testimony. There is very little substance in Mr. Miller's assertions and for the most part they have been addressed previously above. No "dangerous precedent" would occur by excluding Tariff 37 from the Lighting Efficiency Program. Correctly classified with appropriate recognition of Tariff 37 service characteristics and its lack of similarity to Tariff 39 Schedules 20,

⁸ If Allegheny had sought the input of the University in putting together its EE&C Plan, it would have been aware of the University's investment in lighting replacement and considered it in its program distribution.

⁹ The University does not take issue with its proposed participation in the Custom Applications Program.

¹⁰ The University has had a formal energy program since the 1970's, which has been very active over the past 10 years. It has developed and implemented projects that would fall into most of Allegheny proposed, non-residential EE&C Programs and has evaluated projects that would fall into all of the proposed, non-residential EE&C Programs. The University has invested over \$40 million in energy projects in the past 6 years alone. Additionally the University has been participating in PJM economic and capacity demand response programs since 2006. Results of the University's energy program have shown an 8% reduction in electric energy usage and a 10% reduction in electricity demand since 2006. Over the same time period, nearly a million square feet of new facilities were constructed at University Park. Penn State St. No. 1 at 6.

¹¹ Inasmuch as Penn State is already bearing the significant financial burden of "market" based rates for generation service, it needs no further incentive to be energy efficient and "equitably" it should not be forced to fund lighting improvements for commercial customers which, presumably, have the financial wherewithal to fund their own lighting improvement projects.

22, 30 (Small) and 30 (Large), Tariff 37 should not be included in the Lighting Efficiency Program.¹²

Allegheny's Proposed Distributed Generation Program for Tariff 37

Allegheny's Distributed Generation Program focuses on "reducing demand in the small and large, commercial and industrial, and governmental/non-profit customer sectors by deploying customer 'non-utility' generation resources." The Program is targeted at existing customers that presently own generators rated larger than 100 kW and new customers where standby capacity is requested and is intended to encourage the operation of distributed generation units during periods of peak demand by those Allegheny customers, such as Penn State, that own such units. EE&C Plan at 144.

The University has generators rated between 100kW and 2000 kW and has evaluated the possibility of using its generators to participate in similar programs in the past year. It has found, however, that the air permits associated with each generator would not allow the generator to be operated so as to participate in the program. These same air permits would preclude the University's participation in the proposed Distributed Generation Program. As explained by Penn State witness Prinkey, the operation of the generators in the manner necessary to participate in the Program would cause non-compliance with the University's air permits, which is considered an unlawful act. Penn State St. No. 1 at 8.¹³

Penn State is a proponent of energy efficiency and conservation programs. While the monthly cost of the Distributed Generation Program to Tariff 37, at \$1,753.94, may not be

¹²As previously stated, the University, of course, would still be a participant in the Lighting Efficiency Program through its approximate 100 Tariff 39 accounts. Its opposition to the Lighting Efficiency Program does not concern its Tariff 39 service but rather its much larger and very different Tariff 37 service.

¹³Emission controls could possibly be added to the University's generators and the generators then re-permitted, but this would be costly and is probably not accounted for in Allegheny's Total Projected Cost evaluation of the Program. New emission controls would also likely make the units less efficient, causing an increase in operating costs along with maintenance costs for the emissions equipment.

significant, the money may not be well spent when air pollution issues are considered. The air permit restrictions that apply to the University's generators might very well apply to the existing generators of other customers that are necessary for a successful Program. The University asks that it be removed from the Program.¹⁴

Allegheny witness Miller addressed the University's position at pages 24 through 26 of his reply testimony. As in the case of the Lighting Efficiency Program, there is very little substance in Mr. Miller's assertions which, for the most part, have been addressed previously above. No "dangerous precedent" would occur by excluding Tariff 37 from the Distributed Generation Program, a program for existing generators. Because of air permit limitations, Penn State's generators would not qualify for the Program.

4. 10% Government/Non-Profit Requirement

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

5. Low Income Program Requirements

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

6. Issues Relating to Individual Conservation and Demand Reduction Programs

a. Residential

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

b. Commercial

See Section V.A.3 *supra* and the discussion of the Lighting Efficiency and Distributed Generation Programs.

¹⁴The University acknowledges that other customers did not raise similar concerns about the operations of their generators but that could be because they have not yet evaluated their generators and the possibility of participating in the Program. The University does not oppose participating in large customer programs such as this but this particular program may warrant major modifications in the future due to lack of customer support.

c. Industrial

See Section V.A.3 *supra* and the discussion of the Lighting Efficiency and Distributed Generation Programs.

7. Proposals for Improvement of EDC Plan

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

a. Residential

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

b. Commercial

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

c. Industrial

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

B. Cost Issues

1. Plan Cost Issues

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

2. Cost Effectiveness/Cost-Benefit Issues

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

3. Cost Allocation Issues

Tariff 37 should be removed from the Lighting Efficiency Program and the Distributed Generation Program as discussed in Section IV.A.3, *supra*. No cost for these Programs should be allocated to Tariff 37.¹⁵

¹⁵ As proposed by Allegheny, the cost of the Lighting Efficiency Program would be recovered from Tariff 39 Schedules 20, 22, 30 (Small), 30 (Large), and Tariff 37. As discussed in Section V.A.3, *supra*, this is an unreasonable mix of rate schedules and Tariffs that has a high potential for rate subsidization by Tariff 37 of Tariff 39 rate schedules. The proposed recovery payment on a proportional demand basis does not eliminate the cross subsidization potential between Tariff 37 and Tariff 39 small commercial rates. Penn State St. No. 1 at 7-8.

4. Cost Recovery Issues

Allegheny's Cost Recovery Mechanism is based on 43-month estimates of electric consumption and demand. It is not clear, however, whether the 43-month estimates include the estimated electric reductions anticipated by the EE&C Plan. The lack of clarity is of particular concern to Penn State in the event of its possible inclusion in the Lighting Efficiency Program. If Penn State is included in this Program, it believes that two scenarios should be presented: one estimate that is forecasted to establish the case without the EE&C Plan results and a second estimate that is forecasted to establish the case with the EE&C Plan results. Penn State St. No. 1 at 9.

The first estimate would be used to determine the reduction targets in energy and demand units. The second estimate would be used to determine the recoverable surcharge associated with this program. Unless this is done, there is a potential for a sizable under-recovery adjustment near the end of the program. This may have been considered by Allegheny, but there is only one estimate presented in the EE&C Plan. Customers will still pay the same total costs for the program; however the EE&C Plan filing does not recognize that the customer rates could be much higher in the later years of the plan. Penn State St. No. 1 at 9.

C. CSP Issues

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

D. Implementation and Evaluation Issues

1. Implementation Issues

Except as discussed previously above, Penn State takes no position with respect to issues related to the implementation of Allegheny's EE&C Plan.

2. QA Issues

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

3. Monitoring and Reporting Issues

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

4. Evaluation Issues

Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

E. Other Issues

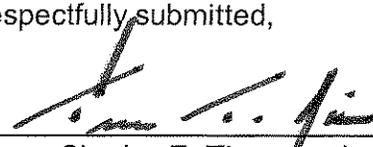
Not applicable to the University's discussion of Allegheny's EE&C Plan for Tariff 37.

VI. CONCLUSION

The equitably and appropriately distributed Energy Efficiency and Conservation Plan Programs for Tariff 37 service to University Park are the Commercial and Industrial Drives Program, the Custom Applications Program and the Customer Load Response Program. Tariff 37 should be excluded from the Lighting Efficiency Program and the Distributed Generation Program for the reasons stated herein.

Respectfully submitted,

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Dated: August 31, 2009

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CERTIFICATE OF SERVICE

I hereby certify that I have this 31st day of August, 2009, served a true and correct copy of the Main Brief of The Pennsylvania State University, upon the persons and in the manner set forth below:

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