



# **COMMENTS OF WEST PENN POWER D/B/A ALLEGHENY POWER ON PROVIDER OF LAST RESORT**

**BEFORE THE PENNSYLVANIA PUBLIC UTILITY  
COMMISSION**

**Docket No. M-00041792**

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# DECIDING THE FUTURE OF POLR IN PENNSYLVANIA

Ω **POLICY ISSUES**

Ω **IMPLEMENTATION ISSUES**

Ω **ALLEGHENY POWER'S PROPOSAL**

# POLR POLICY ISSUES

- ∞ **Ensure continued electric service to customers**
- ∞ **Balance POLR service with overall restructuring goal of creating a competitive retail market**
- ∞ **Full cost recovery of POLR costs**
- ∞ **Adopt appropriate protections for POLR provider**

# POLR IMPLEMENTATION ISSUES

- ⌚ **Design of the wholesale competitive procurement process**
- ⌚ **Level of PUC oversight in the procurement process**
- ⌚ **Participation of non-regulated utility affiliates**
- ⌚ **Qualifications of acceptable wholesale power suppliers**
- ⌚ **Remedies for wholesale supplier default**
- ⌚ **Translation of bids into rates**

# ALLEGHENY POWER'S PROPOSAL

## ∞ EDCs should be the provider of POLR service

- avoids the issue of PUC regulation of a non-utility POLR provider
- recognizes PUC jurisdiction over the EDCs POLR offerings

## ∞ Process should remain flexible

- generation rate caps do not expire for a number of years and at varying times
- lessons learned along the way may require changes

# ALLEGHENY POWER'S PROPOSAL

- Ω Obtain input from all interested stakeholders
- Ω PUC establish definite timeline in hopes of reaching consensus and settlement
- Ω Once policy issues decided, hold second roundtable to focus on technical implementation issues
- Ω Use of a competitive bid process to procure wholesale electric supply for POLR load

# ALLEGHENY POWER'S PROPOSAL

## Ω Full cost recovery

- wholesale power supply costs
- transmission costs
- administrative charge
- applicable taxes

## Ω Protection for EDCs against:

- customer mitigation back to POLR
- electric supplier default
- prudency challenges to procurement results

# CONCEPT OF AN ADMINISTRATIVE CHARGE

- ⌚ **Essential to the establishment of POLR prices that are comparable to competing retail suppliers**
- ⌚ **Permits full cost recovery of an EDC's incremental costs and a reasonable return in exchange for its obligations under POLR**
- ⌚ **Removes price disadvantage to competing retail supplier**



# **SPECIFIC COMPONENTS OF AN ADMINISTRATIVE CHARGE**

- ∞ Return for Shareholders**
- ∞ Recovery of incremental costs directly related to provision of POLR service**
- ∞ Allowance intended to replicate a retail supplier's costs for marketing and "back office" costs**

# AMOUNTS COLLECTED THROUGH THE ADMINISTRATIVE CHARGE

∞ **Disbursed in the following manner:**

- **utility's return component**
- **recovery of utility's incremental costs to serve POLR**
- **any remaining amount is refunded to all distribution customers**

## Administrative Charge Example

	POLR Customer (cents/kwh)	Shopping Customer-A (cents/kwh)	Shopping Customer-B (cents/kwh)
Alternative Retail Electric Offer		5.00	5.22
Wholesale Electric Cost	5.00	-	-
Administrative Charge	0.40	0	0
Price to Customer	5.40	5.00	5.22
Distribution Credit to All Customers	0.18	0.18	0.18
Net Price to Customer	5.22	4.82	5.04

### Assumptions:

- 100,000 total kwh load
- 90,000 kwh POLR load
- Administrative Charge, net of incremental costs and return, equals 0.20 cents/kwh
- Distribution Credit =  $(\$0.002 * 90,000 \text{ kwh}) / 100,000$