

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17120**

**Petition of West Penn Power Company
d/b/a Allegheny Power for Acceleration
of its Competitive Procurement Plan and
Request for Expedited Consideration**

**Public Meeting March 12, 2009
1332812-OSA
Docket No. P-00072342**

**MOTION OF
COMMISSIONER ROBERT F. POWELSON**

Before the Commission today for disposition is the Petition of West Penn Power Company, d/b/a Allegheny Power (“Allegheny”) to accelerate the procurement of power for a portion of its default service load.

By way of procedural history, on July 17, 2008, the Commission conducted a binding poll approving an implementation plan for Allegheny’s default service obligations, the terms of which were set forth in an Order entered on July 25, 2008 (“July 25 Order”). In accordance with the July 25 Order, Allegheny filed its compliance filing on September 23, 2008, a modified version of which was approved by the Commission at its December 18, 2008 Public Meeting. In its compliance filing Order, the Commission directed Allegheny to file a tariff, which, among other things, set forth Allegheny’s procurement schedule.

Allegheny now seeks, by way of the instant Petition, to accelerate that procurement schedule as it relates to residential customers. The Office of Consumer Advocate (“OCA”) supports Allegheny’s Petition, while the Office of Small Business Advocate (“OSBA”), the Retail Electric Supply Association (“RESA”) and Reliant Energy oppose Allegheny’s Petition.

There has been tremendous downward pressure on commodity pricing since we approved Allegheny’s default service plan last July. In that time, natural gas prices dropped from \$13.31 to \$4.23 and coal prices dropped from over \$150.00 a ton to around \$60.00 a ton. This downward pressure caused a precipitous drop in the price of electricity, which Allegheny and the OCA calculated at over a 40 percent decrease.

For these reasons, Allegheny and the OCA believe it is prudent to advance Allegheny’s residential procurement schedule in order to take advantage of the current market conditions, which we may never see again.

As a Commission, we must be proactive in protecting Pennsylvania’s consumers from high electricity prices. This mandate was made clear by the Legislature when it passed Act 129, which directed the Commission to make certain that electric distribution companies’ default service plans are “designed to ensure . . . the least cost to customers over time.”¹

¹ 66 Pa. C.S. § 2807(e)(3.4)(ii)

In essence, Allegheny is proposing to move the procurement of five tranches of power for residential customers from 2010 to 2009, starting in April. The parties opposing this acceleration argue that there is no guarantee that electricity prices will be lower in 2009 than in 2010. I understand and appreciate this argument. We do, however, know for certain that today's prices are substantially lower than anyone could have predicted last summer. In today's global economy, we cannot rely on this country's current recession to keep the commodity prices that drive the price of electricity low; it will only take a slight economic recovery by China, India or any of a myriad of other industrial countries to cause commodity prices to begin to rise. Further, even with the advancement of these five tranches, which represent 11 percent of the Company's total portfolio, the procurement schedule retains the diversification that is a key element of the portfolio approach.

It is my strong belief, therefore, that the risk of allowing Allegheny to procure power early is far outweighed by the increased certainty that comes with locking in prices closer in time to today's unarguably low rates, and that this acceleration contributes to ensuring "least cost" rates for customers.

OSBA and RESA further argue that Allegheny's default service plan only permits the Company to delay a scheduled procurement, not advance one, provided certain conditions are met. I do not find this argument to be compelling. The Company's plan is completely silent as to whether the Company can advance pre-scheduled procurements. This silence does not act to bar such actions. Rather, in my opinion, it is simply reflective of the fact that the recent decrease in pricing could not have been anticipated, and therefore the possibility was not addressed in Allegheny's plan. Further, the Commission explicitly stated in its July 25 Order "we realize that while pre-set dates for procurement of supply are preferred, they may be adjusted, if needed, due to unforeseen market circumstances."² The current pricing undoubtedly constitutes "unforeseen market circumstances."

I am also persuaded by the fact that the Commonwealth's Consumer Advocate supports Allegheny's Petition.

Lastly, I commend Allegheny for taking this initiative on behalf of its default service customers, and I urge all other companies to consider following suit in order to take advantage of the current electricity pricing. Again, it is my belief that, by today's action, we are providing the regulatory flexibility Allegheny needs in order to help its consumers.

For these reasons, I move that Allegheny's Petition for Acceleration of its Competitive Procurement Plan be granted and that the Commission's Office of Special Assistants prepare an Opinion and Order consistent with this Motion.

DATE: March 12, 2009

**ROBERT F. POWELSON
COMMISSIONER**

² July 25 Order at 38.