

CASE No. 9091 – Rate Stabilization Mechanism for Allegheny Power

On November 28, 2006, Allegheny Power filed a proposal for a rate stabilization mechanism pursuant to Section 8 of Senate Bill 1. AP rate caps for residential customers expire on December 31, 2008. There was concern that AP customers would experience the same rate shock that BGE customers had experienced when their caps were lifted so AP proposed an early 15% rate increase to begin March 31, 2007 and another increase to take place in 2008. AP would then use the “early “ payments as credits against the bills when the caps were lifted. OPC filed the testimony of an expert witness and participated in the hearings held by the PSC. OPC noted that the best way to transition smoothly out of the rate cap period would be to adopt a better standard offer service procurement method for AP, allowing for longer term contracts. OPC also objected to the mandatory nature of AP’s proposal and instead recommended that ratepayers should be able to decide whether they wanted to participate at all or, at a minimum, for a way for ratepayers to “opt-out” of the transition plan. On March 30, 2007, the PSC issued an order adopting the AP transition plan with variations. First, the PSC allowed customers to “opt-out”. Second, the PSC provided for a refund of “prepaid” amounts to the estates of those who died or to those who moved out of the service territory before they could receive the benefits of the prepayment credits.

While OPC was not pleased that all ratepayers did not get the full benefit of the rate caps negotiated for them as a result of deregulation, the transition plan should help smooth the way to rate increases for those who may experience trouble paying their bills when caps are lifted. The opt-out mechanism will also ensure that those who want to pay full market rates and “get it over with” will have the ability to do so. Finally, the refund mechanism should ensure that people are kept whole if they leave the service territory before they can benefit from the rate credits.

In early January, 2009, the PSC approved the increased rates that came about as a result of AP’s October 20, 2008 standard offer service bidding process. At the same time, the PSC approved AP’s proposed tariff changes to reflect the flow back of the prepayment credits to residential customers. Thus, those customers who took part in the rate stabilization plan began to see their prepayments returned to them as a credit on their monthly bills to continue through December 2009. Additional credits will be given to customers in the January to December 2101 time frame.