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April 27, 2015

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor (filing room)
PO Box 3265
Harrisburg, PA 17105-3265

RE: Comments of The Sustainable Energy Fund to the Pennsylvania Public Utility Commissions Tentative Implementation Order - Docket No. M-2014-2424864

Dear Secretary Chiavetta:

Enclosed for filing with the Commission are the Comments of the Sustainable Energy Fund of Central Eastern Pennsylvania.

If you have any questions concerning this filing, please do not hesitate to contact my office.

Very truly yours,

J Cassel

Judith D. Cassel
Counsel for The Sustainable Energy Fund of Central Eastern Pennsylvania

JDC/jld
Enclosures
cc: Megan Good (via email - megagood@pa.gov)
Kriss Brown (via email - kribrown@pa.gov)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Act 129 Energy Efficiency and Program Phase III	:	Docket No. M-2014-2424864

COMMENTS OF THE SUSTAINABLE ENERGY FUND OF CENTRAL EASTERN PENNSYLVANIA

The Sustainable Energy Fund of Central Eastern Pennsylvania ("SEF"), by and through its attorneys in this matter, Hawke McKeon & Sniscak LLP, files the following Comments in the above-captioned proceeding.

I. INTRODUCTION

The SEF urges the Commission to use the opportunity offered by Act 129's statutorily-required reassessment of the costs and benefits of programs to achieve reductions in consumption and peak demand, to encourage and adopt measures that go beyond consumer rebates in order to stretch constraints on program funding, including third party on-bill repayment and enhanced methods of consumer outreach and education. Unless we are able to find mechanisms other than rebates to overcome the funding barrier to incentivize efficiency and conservation, the promise of Act 129 will not be realized.

II. BACKGROUND

On October 15, 2008, House Bill 2200 was signed into law as Act 129 with an effective date of November 14, 2008.[1] Among other things, Act 129 required Energy Efficiency and Conservation ("EE&C") plans for Pennsylvania's largest electric distribution companies

[1] 2008, October 15, P.L. 1592, No. 129 ("Act 129").

("EDCs") and required that the Public Utility Commission ("Commission") evaluate the costs and benefits of the EE&C plans by November 31, 2013. Act 129 further directed that the Commission must set new incremental consumption and peak demand reductions if the benefits of the program and plans exceed the cost.[2] Regarding electricity consumption, Section 2806.1(c)(3) provides:

> By November 30, 2013, and every five years thereafter, the Commission shall evaluate the costs and benefits of the program established under subsection (a) and of approved energy efficiency and conservation plans submitted to the program. The evaluation shall be consistent with a total resource cost test or a cost-benefit analysis determined by the Commission. If the Commission determines that the benefits of the program exceed the costs, the Commission shall adopt additional incremental reductions in consumption.[3]

Regarding peak electric demand, Section 2806.1(d)(2) provides:

> By November 30, 2013, the Commission shall compare the total costs of energy efficiency and conservation plans implemented under this section to the total savings in energy and capacity costs to retail customers in this Commonwealth or other costs determined by the commission. If the Commission determines that the benefits of the plans exceed the costs, the Commission shall set additional incremental requirements for reduction in peak demand for the 100 hours of greatest demand or an alternative reduction approved by the Commission.[4]

In accordance with these directions, the Commission has begun the process of evaluating the cost-effectiveness of the various EDC EE&C plans and determining whether additional incremental consumption and peak demand reduction targets will be adopted and, if so, what those incremental reduction targets shall be.

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[2] 66 Pa C.S. §§ 2806.1(c)(3) and (d)(2).

[3] Act 129 requires a minimum 1% reduction in total annual weather normalized consumption of the retail customers of each EDC by May 31, 2011, and a minimum 3% reduction by May 31, 2013. 66 Pa. C.S. § 2806.1(c)(2).

[4] Act 129 requires a minimum of 4.5% reduction of weather normalized annual system peak demand in the 100 hours of highest demand by retail customers by May 31, 2013. 66 Pa. C.S. § 2806.1(d)(1).

To this end, the Commission issued a March 11, 2015 Secretarial Letter seeking comments on enumerated topics. The Commission held a stakeholder meeting on April 8, 2015 to provide interested parties an opportunity to give preliminary views on the topics and identify additional issues and concerns regarding design of future EE&C plans. The SEF attended the stakeholder meeting.

III. COMMENTS

The SEF provides the following Comments to the specific issues in the March 11, 2015 Secretarial Letter.

1. Proposed additional required incremental reductions in consumption.

The maximum achievable potential as estimated by the Statewide Evaluator ("SWE") is understated because it assumes a majority of programs are based on rebates to consumers and businesses and fails to look at creative programs that would leverage EE&C spending constraints. Additionally, EDCs could further stretch program funding, control program acquisition costs, and achieve a greater level of savings by using pay for performance measures.

2. The Commission should encourage EDCs to offer third-party On-Bill Repayment.

Although EDCs are constrained by the 2% annual program spending limit, third-party On-Bill Repayment would leverage existing funding and offer opportunities in order to achieve deeper energy efficiency savings. The omnipresent use of rebates to incentivize energy efficiency projects drives up program acquisition costs. On-Bill Repayment (OBR) does not burden the EE&C programs in the same way that rebates do. OBR assists small businesses in replacing inefficient, outdated equipment with new, more efficient equipment and or building retrofits while leveraging EE&C program expenditures.

To increase EE&C program uptake rates, EDCs provide incentives in the form of rebates to a subset of customers but socialize the program costs across all ratepayers. This practice leaves a remaining investment requirement, after rebate, for the customer and it tends to favor measures with low capital cost and short payback cycles. In comparison, OBR does not require any rebate or incentive, finances 100% of the project costs, lowers participants' overall utility bills and pays for the project from the ratepayers' utility bill savings.

In its Staff Report, The On-Bill Financing Working Group, at Docket M-2012-2289411 concluded "Based on documented experience in other states, on-bill programs may be effective in expanding the reach of existing energy efficiency programs, especially to specific niche or targeted groups of customers..."[5]

During the proceeding, the EDCs claimed that billing system upgrades were the largest barrier to implementing the OBR. In this digital age where unknown companies with very limited resources create killer computer applications, it is simply not credible that the multi-billion dollar electric power industry cannot find a cost effective way to implement an OBR program. Furthermore, since OBR does not require any incentives, programmatic dollars could be used to make cost effective billing modifications.

On-Bill programs have been used in other jurisdictions and have proven to be effective at addressing larger projects. For example, National Grid, which has been operating an On-Bill program for more than 20 years, determined that 60% of customers opt for a one time quick payment. However, as the projects grow in size, the majority opt for 24 month financing. Research compiled by the Shelton Group found that the availability of loans would increase the likelihood of energy efficiency improvements with 57% percent of respondents. Financing will leverage constrained program dollars as well as increase program participation.

[5] The On-Bill Financing Working Group Staff Report at Docket M-2012-2289411, p.22

3. The Commission should move expeditiously to encourage EDCs to utilize mechanisms other than rebates to incentivize program participation.

There are several reasons why businesses do not engage in energy efficiency projects. These reasons include a belief that they are already energy efficient or a lack of understanding of how energy savings can be achieved. Businesses may also lack the technical expertise or financial resources to undertake energy savings projects. To engage these businesses at the least cost to ratepayers, EDCs' EE&C plans must address all of these barriers. Offering rebates modifies the value proposition but does not directly address these barriers. As the EDC programs mature and increase in cost per kWh, only a holistic approach will bend the cost curve down and achieve a sustainable result.

EDC Phase III EE&C plans should offer and or expand benchmarking and energy audit programs across all customer segments in order to assist in determining building performance and energy losses. Behavioral research shows that the probabilities of occurrence being equal, the emotional distress of losing one dollar is as compelling as the appeal to make two dollars in the future.[6] Consequently, programs like benchmarking and energy audits that can demonstrate to energy users they are losing money are dollar for dollar more likely to encourage participation in energy efficiency retrofits.

Energy education for all customers should be included in each EDC's EE&C plan. Education is the key to empowering energy users with the tools they need to make smart decisions about energy. Many small companies lack the internal technical capacity to make informed decisions about energy efficiency projects. EDC programs should focus on promoting

[6] Nudge, R.Thaler, C. Sunstein, p.33

energy literacy. The U.S. Department of Energy defines an energy literate person as someone who can:

a. Trace energy flows and think in terms of energy systems;
b. Know how much energy he or she uses, for what, and where energy comes from;
c. Can assess the credibility of information about energy;
d. Can communicate about energy and energy use in meaningful ways;
e. Is able to make informed energy and energy use decisions based on an understanding of impacts and consequences; and,
f. Continues to learn about energy throughout his or her life.

Measuring energy and financial savings from educational programs is sometimes challenging, but not impossible. For example, educational program participants could be surveyed one year after the educational session to determine what actions they took to reduce their energy consumption.

EDCs should offer third party validation of energy saving projections. Over the last several years, EDCs have accumulated significant amounts of data related to energy conservation measures. Additionally, the PUC has invested a significant amount of effort in producing the Technical Resource Manual. Combined, these two resources could be utilized to check the reasonableness of savings estimates and offer reassurance to energy users that contractor quoted savings are achievable.

EDCs must find mechanisms other than rebates to overcome the funding barrier. The current course of increasing rebates and administrative costs is unsustainable. Mechanisms that recycle or leverage incentive dollars must be implemented. Although these programs may require more effort than simply cutting a ratepayer a rebate check, they are more sustainable and would serve to improve the cost effectiveness of the EDC EE&C programs.

Given EE&C program funding constraints, directly addressing the barriers to energy efficiency projects will likely have a greater effect than offering incentives which only render the EE&C programs less effective.

4. The Commission should require stand-alone comprehensive measures.

Each EDC should be required to offer two comprehensive programs that are stand-alone. These programs should not be a summation of other measures found throughout the EDCs' EE&C plans but instead be comprehensive holistic measures.

IV. CONCLUSION

The Sustainable Energy Fund respectfully requests that the Commission consider and adopt the foregoing Comments and take any other actions that are deemed appropriate to achieve same.

Respectfully submitted,

JCassel

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