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March 19, 2010

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**VIA ELECTRONIC FILING**

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
2<sup>nd</sup> Floor, 7 North  
400 North Street  
Harrisburg, PA 17120

Re: Pennsylvania Public Utility Commission v. Philadelphia Gas  
Works; Docket Nos. P-2009-2097639 and R-2009-2139884

Dear Secretary McNulty:

On behalf of the Clean Air Council, enclosed is its Brief in Support of the Joint Petition For Interlocutory Review of a Material Question and Approval of Partial Settlement for filing in the above-captioned matter.

Copies of this filing have been served upon the parties in accordance with the attached Certificate of Service.

Respectfully submitted,

Adam H. Cutler  
Attorney for Clean Air Council  
PA Attorney I.D. # 76605

cc: Honorable Charles E. Rainey, Jr.  
Certificate of Service

Enclosures

## CERTIFICATE OF SERVICE

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/s/ Adam H. Cutler

Adam H. Cutler

DATE: March 19, 2010

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION</b>	:	
	:	
	:	<b>Docket No. P-2009-2097639</b>
<b>v.</b>	:	
	:	
<b>PHILADELPHIA GAS WORKS</b>	:	
<b>PENNSYLVANIA PUBLIC UTILITY COMMISSION</b>	:	
	:	
	:	<b>Docket No. R-2009-2139884</b>
<b>v.</b>	:	
	:	
<b>PHILADELPHIA GAS WORKS</b>	:	<b>FILED ELECTRONICALLY</b>

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**CLEAN AIR COUNCIL'S  
BRIEF IN SUPPORT OF INTERLOCUTORY REVIEW  
AND AFFIRMATIVE ANSWER TO MATERIAL QUESTION  
AND APPROVAL OF PARTIAL SETTLEMENT**

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## TABLE OF CONTENTS

I. MATERIAL QUESTION AND SUGGESTED ANSWER .....	1
II. INTRODUCTION .....	1
III. BACKGROUND.....	1
IV. ARGUMENT.....	2
V. CONCLUSION.....	3

**TABLE OF AUTHORITIES**

<b>Article</b>	<b>Page(s)</b>
U.S. Secretary of Energy Steven Chu, “Energy Efficiency: Achieving the Potential,” in World Economic Forum, <i>Energy Vision Update 2010: Towards a More Energy Efficient World</i> at 14 (2010) (found at <a href="http://www2.cera.com/docs/WEF_Fall_2009.pdf">http://www2.cera.com/docs/WEF_Fall_2009.pdf</a> , accessed March 19, 2010), reprinted online at <i>The Huffington Post</i> (found at <a href="http://www.huffingtonpost.com/steven-chu/energy-efficiency-achievi_b_501263.html">http://www.huffingtonpost.com/steven-chu/energy-efficiency-achievi_b_501263.html</a> , accessed March 19, 2010).....	2

## **I. MATERIAL QUESTION AND SUGGESTED ANSWER**

Philadelphia Gas Works (“PGW”) and the Clean Air Council (“CAC”) entered into a Stipulation and Partial Settlement (“Settlement”) for expedited implementation of two energy efficiency and conservation programs proposed by PGW and directed to residential customers. Pursuant to 52 Pa. Code § 5.302(b), CAC submits this brief in support of the Joint Petition For Interlocutory Review of a Material Question and Approval of Partial Settlement (“Joint Petition”) filed and served March 9, 2010. The Joint Petition of PGW and CAC asks the Commission to answer the following material question:

Should the Commission approve the Settlement to permit PGW to implement the Residential DSM Programs proposed in PGW’s Five-Year Gas Demand-Side Management (“DSM”) Plan pending further review in the rate case and in the detailed implementation process to enable low-income and other residential customers to begin receiving the benefits of reduced and more efficient energy usage as soon as possible before the next winter heating season, and to maximize the reduction of the CRP subsidy paid by non-low income firm service customers?

CAC respectfully suggests that the only reasonable answer to the question is: Yes.

## **II. INTRODUCTION**

CAC adopts and incorporates Section II of PGW’s Brief in Support of the Joint Petition as if set forth herein in full.

## **III. BACKGROUND**

CAC adopts and incorporates Section III of PGW’s Brief in Support of the Joint Petition as if set forth herein in full.

#### IV. ARGUMENT

The Council supports the Commission's approval of the Partial Settlement for the reasons set forth in the Joint Petition and the Stipulation and Partial Settlement.<sup>1</sup> The Council has concluded, after a review of material facts and testimony, that the expedited implementation of the residential programs in PGW's DSM Plan would be consistent with national, state, and local goals to promote energy efficiency, reduction in greenhouse gas emissions, and the creation of green-collar jobs.<sup>2</sup> Indeed, the U.S. Department of Energy has found that the residential retrofit programs that have been the most successful in achieving savings have been the programs that "targeted the least efficient houses and concentrated on the most fundamental work: air-tight ducts, windows and doors, insulation, and caulking."<sup>3</sup>

There is no reason to wait on implementation of the residential measures in PGW's DSM Plan. Expedited implementation will allow the benefits of PGW's proposed residential DSM programs to begin to accrue before the next winter heating season for its entire customer base,

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<sup>1</sup> In further support of the Joint Petition, the Council concurs in, and adopts, Section IV of PGW's Brief in Support of the Joint Petition, and incorporates it as if set forth herein in full.

<sup>2</sup> Joint Motion For Partial Summary Judgment To Approve Settlement For Expedited Implementation Of Residential DSM Programs, Exhibit 5, ¶¶ 5, 6(a), (b), (c).

<sup>3</sup> U.S. Secretary of Energy Steven Chu, "Energy Efficiency: Achieving the Potential", in World Economic Forum, *Energy Vision Update 2010: Towards a More Energy Efficient World* at 14 (2010) (found at [http://www2.cera.com/docs/WEF\\_Fall\\_2009.pdf](http://www2.cera.com/docs/WEF_Fall_2009.pdf), accessed March 19, 2010). Secretary Chu's article was reprinted online at the *Huffington Post* website (found at [http://www.huffingtonpost.com/steven-chu/energy-efficiency-achievi\\_b\\_501263.html](http://www.huffingtonpost.com/steven-chu/energy-efficiency-achievi_b_501263.html), accessed March 19, 2010), and that reprinted version is attached hereto as Exhibit A).



from low-income, high-volume users enrolled in the CRP to the firm customers who subsidize the existing CWP program through the Universal Service Charge.<sup>4</sup>

**V. CONCLUSION**

For the reasons set forth herein, the Clean Air Council respectfully requests that the Commission grant interlocutory review, answer the material question in the affirmative, grant the Joint Motion for Partial Summary Judgment and approve the Settlement.

Respectfully submitted,

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Dated: March 19, 2010

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<sup>4</sup> *Id.*, ¶ 6(b), (d), (m).

# **EXHIBIT A**

## Steven Chu

*U.S. Secretary of Energy*  
Posted: March 16, 2010 03:15 PM

# Energy Efficiency: Achieving the Potential, Realizing the Savings

For the next few decades, energy efficiency is one of the lowest cost options for reducing US carbon emissions. Many studies have concluded that energy efficiency can save both energy and money. For example, a recent McKinsey report calculated the potential savings assuming a 7% discount rate, no price on carbon and using only "net present value positive" investments. It found the potential to reduce consumer demand by about 23% by 2020 and reduce GHG emissions by 1.1 gigatons each year – at a net savings of US\$ 680 billion.

Likewise, the National Academies found in 2009 that accelerated deployment of cost-effective technologies in buildings could reduce energy use by 25-30% in 2030. The report stated: "Many building efficiency technologies represent attractive investment opportunities with a payback period of two to three years."

Some economists, however, don't believe these analyses; they say there aren't 20-dollar bills lying around waiting to be picked up. If the savings were real, they argue, why didn't the free market vacuum them up? The skeptics are asking a fair question: why do potential energy efficiency savings often go unrealized?

I asked our team at the Department of Energy to review the literature on savings from home energy retrofits. We are pursuing energy efficiency in many areas – from toughening and expanding appliance standards to investing in smart grid – but improving the efficiency of buildings, which account for 40% of US energy use, is truly low hanging fruit.

In this review, we looked only at studies that compared energy bills before and after improvements and excluded studies that relied on estimates of future savings. We found that retrofit programs that were the most successful in achieving savings targeted the least efficient houses and concentrated on the most fundamental work: air-tight ducts, windows and doors, insulation and caulking. When efficiency improvements were both properly chosen and properly executed, the projected savings of energy and money were indeed achieved. In science, we would call the successful programs an "existence proof" that efficiency investments save money. Too often, however, the savings went unrealized, due to a number of reasons, including poor efficiency investment decisions and shoddy workmanship.

There are other reasons why energy savings aren't fully captured. Market failures include inertia, inconvenience, ignorance, lack of financing and "principal agent" problems (e.g., landlords don't install energy efficient refrigerators because tenants pay the energy bills). To persuade the skeptics and spark the investments in efficiency we need, the Department of Energy is now focused on overcoming these market failures.

First, the Department is working to develop a strong home retrofit industry. We are creating a state-of-the-art tool that home inspectors can use on a handheld device to assess energy savings potential and identify the most effective investments to drive down energy costs. We're also investing in training programs to upgrade the skills of the current workforce and attract the next generation. The Department is also focused on measuring results – to both provide quality assurance to homeowners and promote improvement. For example, we're pursuing new technologies such as infrared viewers that will show if insulation and caulking were done properly. Post-work inspections are a necessary antidote and deterrent to poor workmanship.

To address inconvenience and to reduce costs, we're launching an innovative effort called "Retrofit Ramp-Up" that will streamline home retrofits by reaching whole neighborhoods at a time. If we can audit and retrofit a significant fraction of the homes on any given residential block, the cost, convenience and confidence of retrofit work will be vastly improved. Another goal of this program is to make energy efficiency a social norm.

To help pay for investments, we're working with the Department of Housing and Urban Development to encourage new financing tools. For example, homeowners might pay back energy improvement loans via an assessment on their property tax bill. Out-of-pocket expenses are eliminated and energy savings will exceed the increase in property tax. Both the savings and the loan payments would stay with the house if the owners decide to sell.

Another opportunity comes when a property changes hands. Banks require a structural inspection and a termite inspection; they should also ask for the last year's worth of utility bills, which speaks directly to the home's affordability. If improvements are needed, the costs could be seamlessly tacked onto the mortgage.

The greatest gains can be realized in new construction. By developing building design software with embedded energy analysis and building operating systems that constantly tune up a building for optimal efficiency while maintaining comfort, extremely cost-effective buildings with energy savings of 60-80% are possible.

Regardless of what the skeptics may think, there are indeed 20-dollar bills lying on the ground all around us. We only need the will – and the ways – to pick them up.

*This op-ed appears in a new report by the World Economic Forum and IHS Cambridge Energy Research Associates entitled "Energy Vision 2010: Towards a More Energy Efficient World." The full report can be found [here](#).*