

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

**Act 129 Energy Efficiency
and Conservation Program
Phase III**

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**Docket No. M-2014-
2424864**

**COMMENTS OF HONEYWELL INTERNATIONAL, JOHNSON CONTROLS,
UNITED TECHNOLOGIES CORPORATION, INGERSOLL RAND,
SCHNEIDER ELECTRIC, AND WHIRLPOOL CORPORATION**

I. INTRODUCTION

As a group of manufacturers and service providers with a significant Pennsylvania presence, including a loyal workforce of 6,000 employees in the state, we commend the Commission for its consideration of demand-side resources in the Energy Efficiency and Conservation Program (EE&C) Phase III Tentative Order.

As large employers and major energy consumers in the state, we understand firsthand how Pennsylvania's energy policies affect the cost of doing business and the state's economic competitiveness. Our businesses support policies that advance energy efficiency and demand response because Pennsylvania consumers and businesses benefit when we eliminate energy waste and reduce peak demand. Energy efficiency and demand response programs are the lowest-cost energy resources available. By investing in these resources we can reduce total energy costs for all customers, mitigate the impact of fuel and electricity price increases, and build a more affordable, reliable electricity system for the businesses and people of Pennsylvania.

II. BENEFITS OF ENERGY EFFICIENCY & CONSERVATION PROGRAMS

Pennsylvania's energy efficiency programs have delivered significant value. During the first 5 years of Act 129, Pennsylvania's Electric Distribution Companies (EDCs) have helped customers install measures that have delivered more than 6,000,000MWh in energy savings.¹ These energy savings will provide over \$2.7 billion in net economic benefits to Pennsylvanians.² The most recent annual report indicates that these programs are providing \$3.24 in benefits for every program dollar spent.³ All consumers experience these benefits - whether or not they participate directly in energy-saving efforts.

¹ Sources: Act 129 Statewide Evaluator Phase I Final Annual Report, <http://www.puc.pa.gov/pdocs/1274547.pdf>; and Phase II Program Year 5 Final Annual Report, http://www.puc.pa.gov/Electric/pdf/Act129/SWE_PY5-Final_Annual_Report.pdf.

² Ibid.

³ Ibid; based on PY5 total NPV benefits of \$560 million and total program costs (exclusive of participant costs) of \$174 million.

The adoption of robust consumption reduction and demand response targets under Phase III will ensure that consumers and businesses benefit from energy efficiency and demand response investments. These targets will enable Pennsylvania to build upon its past successes. In addition they will ensure that all customers have the opportunity to participate in programs that save money, energy, and capacity.

Robust and transparent targets will also help to give the business community the confidence to invest and grow. Our companies specialize in a broad range of high-technology products, solutions and services related to energy. Strong energy saving and demand response targets provide the regulatory and market certainty we need to understand and promote opportunities for sustainability and energy efficiency on behalf of our customers and clients. Multi-year targets also provide a degree of regulatory certainty that help large businesses plan ahead and make future investment decisions.

III. PHASE III TARGETS FOR ENERGY EFFICIENCY & CONSERVATION PROGRAMS

We encourage the Commission to set ambitious targets that consider past successes and new opportunities. In Phase I, the Electric Distribution Companies (EDC) achieved 123% of their energy saving goals while delivering energy savings under budget.⁴ The recent Program Year 5 results also revealed that each EDC is on track to meet or surpass its savings goals, and that the acquisition costs for energy efficiency are significantly lower than projected (28% less).⁵ We applaud the EDCs for these significant accomplishments.

We encourage the Commission to consider this successful track record as it establishes energy saving goals for Phase III. Indeed, these achievements suggest that additional cost-effective energy efficiency investment — that capture savings above and beyond the Commission’s established energy saving targets — may have been achievable while still staying within the state’s 2% spending limit for EE&C programs. For example, in Program Year 5, the EDCs underspent their budget by approximately \$52 million. Investing this \$52 million of unspent but allowed program funding would have resulted in approximately \$167 million in additional benefits while still staying under the 2% spending limit.

For Phase III, we recommend that the Commission consider more ambitious energy-saving targets based on recent experience in which actual energy efficiency acquisition costs have been lower than projected. In the event that energy efficiency acquisition costs are found to be higher than planned, the Commission could include an off-ramp provision to ensure that actual total investment is closer to, but stays within, the 2% spending limit. We believe this approach would encourage maximum investment in cost-effective demand resources, while remaining within the spending limit, instead of leading to under-investment.

⁴ Ibid.

⁵ Ibid.

IV. BUDGET ISSUES AND CARRY-FORWARD OF UNSPENT FUNDING

Our companies recognize that the underspending issue described above could produce significant unspent funding remaining in Phase II. If this is indeed the case, we recommend that the Commission carry-forward the excess Phase II budget into Phase III and use them to supplement the Phase III budget in order to deliver additional cost-effective energy efficiency for businesses and consumers and take steps to further reduce total energy costs for customers. The carried-forward budget from Phase II should not supplant a portion of the Phase III funding level, but rather should be added to the Phase III planned funding level in order to be invested to achieve additional savings for customers. The ability to supplement the Phase III budget with this unspent funding from Phase II provides an additional rationale for setting more ambitious energy savings goals in Phase III.

V. CONCLUSION

We thank the Commission for the opportunity to provide these comments. We believe the adoption of the Phase III EE&C Program with the suggestions above will provide a sound platform for future investment in energy saving measures that provide substantial benefits to all Pennsylvania businesses and consumers.

