



April 27, 2015

Pennsylvania Public Utility Commission
Attn: Rosemary Chiavetta, Secretary
P.O. Box 3265
Harrisburg, PA 17105-3265

Dear Secretary Chiavetta:

The Pennsylvania Department of Environmental Protection (DEP) appreciates the opportunity to comment on the Pennsylvania Public Utility Commission's Energy Efficiency and Conservation Program Tentative Order (M-2014-2424864). DEP's concerns and comments with the Order focus upon the nexus between energy efficiency and demand response and their ultimate impact on the environment. Please find DEP's comments enclosed.

If you have any questions, please feel free to contact Patrick McDonnell, Policy Director, by e-mail at pmcdonnell@pa.gov or by telephone at 717.783.8727.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Quigley".

John Quigley
Acting Secretary

Enclosure

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Secretary

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

*Energy Efficiency and Conservation Program
Tentative Implementation Order
M-2014-2424864*

**COMMENTS OF THE
PENNSYLVANIA DEPARTMENT OF ENVIRONMENTAL PROTECTION**

The Pennsylvania Department of Environmental Protection (DEP) appreciates the opportunity to comment on the Pennsylvania Public Utility Commission's (PUC) Energy Efficiency and Conservation Program Tentative Order (Order). DEP's concerns and comments with the Order focus upon the nexus between energy efficiency and demand response and their ultimate impact on the environment. DEP believes that the Act 129 energy efficiency and conservation programs are crucial components of the larger effort to reduce air pollutants and develop a cleaner energy portfolio, and supports a strong final Order with aggressive targets.

1. The PUC should carefully assess the historic energy efficiency reductions achieved to date under Act 129 in order to ensure the targets are properly calculated.

Energy efficiency serves a critical purpose in managing electricity generation and the environmental impacts that result. As such, it is important that the PUC establish compliance targets that recognize the most effective and efficient usage of ratepayer dollars to achieve the policy ends dictated by Act 129. Because increasing energy efficiency remains the single best strategy for reducing the environmental impact of the energy sector, DEP strongly believes the PUC should pursue more aggressive targets for each of the EDC service territories. While DEP is encouraged by the increase in the targets (as calculated on an annual basis) for all but one of the electric distribution companies (EDCs), we are concerned that the compliance targets provided for Phase III may underestimate the economically achievable energy efficiency available to the EDCs.

The targets developed for Phase III rely upon a Market Potential Study prepared by the Statewide Evaluator. *The Market Potential Study provides information by EDC service territory on potentially achievable savings.* While this information serves as a good baseline for beginning to establish a target, it is also important to balance this information against the historical achievements of the EDCs. In our opinion, more weight should be given to this historic performance which has outpaced the potential calculations.

While pursuing more aggressive targets may create concerns that the EDCs will fall short and be subject to a noncompliance penalty, the Order also provides EDCs the ability to carry over their excess Phase II savings to meet Phase III targets. At the end of Program Year 5 (which is Program Year 1), the EDCs have already achieved on average 62 percent of their compliance targets with an additional two years remaining. *Duquesne alone has achieved 95 percent of its Phase II target.* While the PUC's proposal to discount carry over savings from Phase I mitigates the amount that will ultimately be carried into Phase III, most of the EDCs are still on a path to exceed their Phase II targets. This potential carryover is not accounted for in setting the targets for the EDCs. It should be.

Secretary

2. DEP supports the PUC's determination that it may reconsider its Act 129 Phase III implementation should it become a necessary component of Pennsylvania's response to the federal Clean Power Plan.

As the PUC is already aware, the U.S. Environmental Protection Agency is scheduled to release its final Clean Power Plan rule which provides for carbon reductions from existing electric generation units. The proposed rule included as one of the building blocks for calculating the state targets an annual energy efficiency goal of 1.5 percent. The Clean Power Plan as proposed also anticipates that energy efficiency may be one of the strategies a state uses to meet its overall targets.

On October 23, 2014, the PUC issued a Secretarial letter requesting comment on the potential design of Phase III of the PUC's Act 129 program. Several commentators noted the uncertainty created by the Clean Power Plan (amongst other issues) may necessitate changes to the PUC's implementation before Phase III has ended. These commentators included PPL Electric Utilities Corporation, the Keystone Energy Efficiency Alliance, Citizens for Pennsylvania's Future, the Clean Air Council, the Sierra Club and the Environmental Defense Fund.

In response, the PUC establishes through its Order a Phase III program length of five years, but provides some options for a process to reevaluate the Phase III requirements based upon the Clean Power Plan or other considerations. Specifically, the PUC may reconsider the Implementation Order and the resulting EDC plans on its own motion, entertain a petition for reconsideration by another party, or evaluate a request by individual EDCs to update their plans.

Given the uncertainties around the Clean Power Plan rule as well as the need to move forward with Phase III of Act 129 in a timely manner, we feel the PUC's resolution of this issue strikes an appropriate balance. We appreciate the willingness of the PUC to reconsider the Implementation Order should the need arise as a result of the Clean Power Plan and look forward to working with the PUC to evaluate the role of energy efficiency in meeting Pennsylvania's carbon reduction requirements.

3. DEP agrees that EDCs should be explicitly directed to include additional comprehensive measures.

The DEP agrees with the PUC that the EDCs consider implementing deeper measures directed at more than simply lighting replacements. The EDCs should include in their energy efficiency and conservation plans at least one comprehensive program for the residential sector and at least one non-residential comprehensive program. DEP has experience with comprehensive programs such as Passivhaus, US Department of Energy Zero Energy Homes and LEED that produce significant energy savings. DEP is supportive of investing Act 129 dollars into measures with a long measure life that will continue to produce savings over 15 or more years.

Thank you again for the opportunity to comment on the Order.

Sincerely,



John Quigley
Acting Secretary

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