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BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

**ENERGY EFFICIENCY AND CONSERVATION :
 PROGRAM AND ELECTRIC DISTRIBUTION :
 COMPANY PLANS**

Docket No. M-2008-2069887

**COMMENTS AND RECOMMENDATIONS OF
 THE KEYSTONE ENERGY EFFICIENCY ALLIANCE (KEEA)
 PURSUANT TO THE SECRETARIAL LETTER
 OF OCTOBER 21, 2008**

On October 15, 2008, Governor Rendell signed HB 2200 into law known as Act 129 of 2008. The Public Utility Commission seeks comments from interested parties on various aspects of the bill. Keystone Energy Efficiency Alliance, (hereby known as KEEA) has been an active and interested participant advocating the passage of this important and timely legislation. Members of KEEA have also testified, filed comments before the commission, the legislature and the Department of Environmental Protection on issues ranging from rate mitigation to Demand Side Resources.

KEEA is a statewide network of 65 organizations and energy service providers focused on assisting individuals and businesses reduce their energy usage and bills. KEEA knows that the deepest and most persistent energy savings results from comprehensive improvements to homes and businesses using energy audits provided by certified building analysts.

KEEA also believes that Act 129 will have its greatest success and will produce the most cost effective results for the residential customer class by using national programs such as Home Performance with ENERGY STAR® and ENERGY STAR Homes. These require specific certification standards for auditors: the Building Performance Institute (BPI) for existing homes and the Home Energy Rating System (HERS) rater for new construction. Act 129 provides opportunities to implement programs that will best result in sustainable solutions designed to reduce utility load into the future. KEEA will continue to be an active participant during the Commission stakeholder's process and welcomes the opportunity to share our extensive experience in this field as well as lessons learned from other states. Some of our comments will be general and will not cover every aspect of the referenced sections in which the Commission is seeking comments. KEEA works through consensus within our varied organizational partners and this process takes time. That is not to imply that we do not have an interest in the other topics; we do and respectfully request that we reserve the right to comment on issues not addressed in these comments. One area of particular interest is the metrics used to calculate the total resource cost test. We are consulting with national experts on this and expect to testify on this and other issues at the commission's upcoming *en banc* hearing.

§2806.1 (A) Program section includes procedures for approval of plans, the evaluation process, an analysis of the cost and benefit of each plan in accordance with a total resource cost test, measurement standards, competitively bidding contracts and many of the other aspects of designing and delivery of comprehensive energy efficiency programs. KEEA's comments will address many of these issues.

Procedures for public participation should aim to balance the time constraints the commission and utilities have to get programs approved and the need for robust public participation which KEEA strongly supports. KEEA understands this balancing act but recommends the commission take full advantage of the many market participants who have significant experience with both good and bad program design in other states. Many of KEEA's members work in businesses that provide energy audits for homes and businesses and ENERGY STAR Programs and have energy efficiency projects in multiple states. The commission should allow an airing of the pros and cons of various models to ensure the best results for Pennsylvania.

One development that may be helpful to the Commission and utilities in deciding which programs and methods will provide the most cost effective ways to reach the goals in the Act is the upcoming release of the American Council for an Energy Efficient Economy's (ACEEE) Pennsylvania Study. This assessment of the energy efficiency and solar resources statewide will provide specific findings and recommendation for our state. A rough draft will be available for review and comment before Thanksgiving, with the final due out in January. KEEA will work with ACEEE to circulate the draft plan for review and comment. This plan will provide a set of recommendations specific to Pennsylvania based on many months of data collection and analysis.

§2606.1(c) (d) discusses reduction in consumption goals and peak demand goals using the forecast year of June 1, 2009 through May 31, 2010, with weather adjustments and extraordinary loads that the electric distribution company must serve. The forecast used, whether based on saving or reduction milestones should reflect the forecasting method that will result in the greatest savings and reductions across utility service territories. Other states have demonstrated more ambitious savings goals are possible. If the calculation used leads to an interpretation that results in little or no planned savings and reduction, the intent of the Act may be distorted. Utility companies with rate caps due to expire will naturally see reductions that could substantially meet the goals in the Act without taking any particular action. Certainly, high price signals due to increases currently projected to be anywhere from 20% to 65% depending on utility service territory will cause reductions and should be factored when determining the appropriate methodology. It is KEEA's position that the Act was designed to provide programs and methods that will result in sustained reductions and behaviors for all classes of customers.

§2806 defines total resource cost test as a "standard test that is met if, over the effective life of each plan not to exceed 15 years, the net present value of the avoided monetary cost of supplying electricity is greater than the net present value of the monetary cost of energy efficiency conservation measures". The Commission should take advantage of other states' experience in evaluating energy efficiency programs. Further, the Department of Energy held large stakeholders meetings that have revolved around discussions of defining the Total Resource Cost Test (TRC) earlier this year. This is a critical calculation that can "make or break" Home Performance with Energy Star suite of Programs. States like Michigan, Massachusetts have recently redefined the TRC test to incorporate health, safety and other benefits that should be calculated in the TRC formula in order to recognize the value beyond a

strict “pay back” approach. Another resource is the widely recognized and accepted California PUC’s Energy Efficiency Manual which is an exhaustive resource for programs. Pennsylvania should address these topics in its guidelines.

Further, confidence in the utilities plans will be greater if the following occurs:

- The Commission exercises tight rein over the process leading up to and after plan approval.
- There is a public process for providing input into the plans BEFORE they are approved as well as an opportunity for public input if other than minor changes are needed to any approved plan afterwards.
- Third party entities are major participants in the delivery of utility plans.
- The Commission takes responsibility for coordinating approaches and programs to ensure consistent standards are used statewide.
- The Commission avoids approving plans that duplicate infrastructure and support services. This can be accomplished by promoting consistent benefits, messages and outcomes across all utilities regardless of customer class.
- The Commission and utilities should take full advantage of proven program designs and keep in mind the language in the Act that states: “...auditing of buildings, equipment and processes to determine the cost effectiveness of energy efficiency and conservation measures using nationally recognized tools and certification programs” under the definition of “quality assurance”. KEEA strongly believes the best way to achieve the highest value over time is through the adoption of the ENERGY STAR suite of programs for all residential utility plans using BPI and HERS certified technicians. For small businesses, requiring professional audits is also the best way to identify the measures that will account for the greatest sustained energy savings in the most cost effective way over time.
- Evaluation of the utilities’ efforts to meet the goals of Act 129 is vital. While it will be relatively easy to determine if total and peak sales are declining, it will be essential to determine the cost effectiveness and total efficacy of each utilities’ programs and other initiatives. The Commission will need to provide clear guidance on the evaluation methodology that will be acceptable, and will need to engage the evaluators to insure that the evaluation is consistent across the state. In designing data collection requirements, it will be important for the Commission to anticipate national and state

legislative developments such as a cap and trade program in order to streamline requirements on the utilities and third party contractors.

- The Commission should look favorably on utilities that work with energy service companies and organizations with proven track records in the state. It is important to create a level playing field for healthy competition among experienced service providers in order to provide the best programs and greatest value.
- The Commission needs to avoid technologies and approaches that deliver only short term results. Instead, a market focused on delivering sustained energy reductions should be the goal. Energy costs will only go up over time and the investments made under this Act should support long term results.
- Support program standards, service offerings and consistent messages that do not stop at the utility service territory border and represent coordinated programs and approaches. The utilities, working with their Association and stakeholder can help to identify many opportunities for adopting national standards. Along with using national standards, it is necessary to use consistent measurement and verification protocols and evaluation approaches. With that in mind, utilities need to be directed to work together in advance of submitting plans to identify areas where statewide programs and approaches can be used and tailored to their territories. In order to determine whether statewide approaches have been identified by the EDC's, EDC's should submit their plans to the commission at the same time. This will give stakeholders the opportunity to compare approaches and plans in addition to any public input in the utility service territories that takes place.
- Statewide energy education is critical to this effort. In order to avoid duplication of effort and conflicting, contradictory messaging to consumers, the Commission needs to take direct responsibility for planning and delivering a coordinated, comprehensive energy education campaign and identifying funding to do so.
- Utilities should pool resources where practical. For example: with input from the Commission and interested stakeholders, they could develop a Request for Proposal to hire an experienced, independent program evaluator who would review the entire program. It is important utility plans are not evaluated in isolation although certainly a review of the specific utility programs should also be included.

Interested stakeholders should be asked to provide comments on the draft RFP in advance of its release. KEEA volunteers its services if the commission decides it is appropriate.

§2806.1(A) (5) The Commission is required to establish standards and measures that benefit all customer classes equitably. KEEA suggests the commission interpret this to mean that the energy and load reduction opportunities should be equitable across all classes of customers.

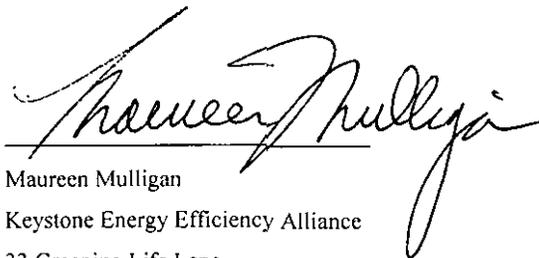
§2806.1 (A) (7) refers to conservation service providers and recommends minimum qualifications for them. Conservation service providers' role in utility plans should be to provide services and programs to the utilities to meet the goals in the Act. A competitive bidding process should determine who is most capable of delivering the desired reduction results. The Act seems to both acknowledge that role and limit it at the same time.

Conservation Service Provider gives "information and technical advice" under the Act and the EDC's are expected to competitively bid contracts with Conservation Service Providers.

KEEA feels Conservation Service Providers role should be interpreted broadly to mean provide services to utilities to develop and administer programs.

In conclusion, KEEA supports a public process that will provide guidance on implementation of this Act to both the commission and each utility. This public process is only valuable if it is conducted in advance of key decisions. Further, we suggest ongoing stakeholders' meetings to be held at or around various milestones, and in advance of any significant program changes or to check on progress. We look forward to the development of the commission's plan and welcome the opportunity to continue the dialogue on these important issues.

Respectfully submitted on November 3, 2008,



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