BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Investigation of Conservation, Energy Efficiency Activities and Demand Side Response by Electric Utilities and Ratemaking Mechanisms to Promote Such Efforts.	:	Docket No. M-00061984

COMMENTS OF UNITED STATES STEEL CORPORATION TO DRAFT REPORT OF DEMAND SIDE RESPONSE WORKING GROUP.

United States Steel Corporation files these comments to the draft report of the Demand Side Response Working Group ("DSRWG") circulated on April 13, 2007. US Steel attended the initial meeting of the DSRWG on November 16, 2006 and has followed the deliberations of the working group through the circulated Committee reports and other documents. Based upon its review of these reports and documents, US Steel believes that the draft report fairly characterizes the discussions of the working group. US Steel files these comments to raise additional points concerning the issues presented as consensus resolutions.

United States Steel Corporation

United States Steel Corporation ("US Steel") is the largest steel producer in the United States. US Steel's headquarters are located in Pittsburgh and its Pennsylvania operations include the Mon Valley Works which consists of a three-plant system along the Monongahela River in Allegheny County, and finishing facilities in Fairless Hills, Bucks County. The Mon Valley Works is Pennsylvania's only remaining fully integrated steel mill. US Steel also owns and operates other facilities in Pennsylvania.[1] US Steel has approximately 5,000 employees in Pennsylvania.

The Mon Valley Works is Pennsylvania's largest industrial electric power consumer. Mon Valley currently self-generates a portion of its electric requirements and purchases electricity. The Mon Valley Works has been issued an interim qualification as a Tier II alternative energy system under Act 213 by the Commission and the Pennsylvania Department of Environmental Protection in January 2006. Mon Valley has received state and local recognition for its environmental performance and its industry leading energy conservation practices. US Steel recently received the Governor's Award for Environmental Excellence in 2007. US Steel received this award as a result of its efforts to reduce energy costs through conservation, environmental controls and use of alternative fuels.

The Mon Valley Clairton Plant is the largest coke plant in North America. In addition to producing approximately 12,000 tons per day of metallurgical grade coke, its operation produces coke oven gas for use as a fuel, coal tar, light oil, anhydrous ammonia and elemental sulfur. Through plant infrastructure modernization, US Steel has reduced consumption of plant steam and coke oven gas. The coke oven gas has been used to displace natural gas as a fuel at other US Steel facilities. As a result of these measures, US Steel has reduced greenhouse gases and improved air quality with the reduction of nearly 13,000 tons per year of carbon dioxide, 13.7 tons of nitrogen oxide and 1.2 tons of sulfur dioxide emissions. The Company has also achieved

[1] US Steel operates a research and technology center and two railroads, the Union Railroad and the McKeesport Connecting, in Allegheny County. The Company also owns the Keystone Industrial Port Complex in Fairless Hills, Bucks County which was recently selected by Gamesa Corp. as its Pennsylvania wind energy manufacturing location.

substantial energy cost reductions by reducing the amount of steam used by the plant. US Steel supports energy savings through conservation and other related measures such as demand side management. The Company supports the Commission's efforts in this investigation and requests that these comments be incorporated into the final report.

IV. General Findings Resulting from This Investigation

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B. Ratepayers May Directly Benefit Through Participation in DSR or Conservation Programs, and the Utilization of Energy Efficiency Technologies.

2. Voluntary vs. Mandatory Program Participation.

US Steel Comment

US Steel believes that participation in DSR, conservation and energy efficiency programs should be voluntary for retail customers. Many large commercial and industrial customers have already implemented conservation and energy efficiency programs that are tailored to their operations and circumstances. The programs initiated by the electric distribution company ("EDC") or a program administrator should be flexible and recognize measures that large customers have already implemented which serve the objectives of the program. In designing the programs, the EDC or program administrator should have the discretion to recognize existing customer programs which meet the Public Utility Commission's ("Commission's") conservation and energy efficiency goals in initiating these programs.

3. Program Effectiveness and Customer Size.

US Steel Comment

US Steel agrees with the PECO comments that the greatest opportunities for conservation and demand reduction are with the large commercial and industrial customers. Rising energy costs have already led many of these customers to implement energy efficiency, conservation and DSR programs. Existing customer programs that are effective should be recognized in any program adopted by the Commission, an EDC or administrator. One of the objectives of these programs should be not only to encourage additional energy efficiency, conservation and DSR programs but also to recognize the existing customer measures in these areas provided they are effective and quantifiable. As with US Steel, many of the larger customers have already invested capital in these types of programs. That prior investment should be recognized in designing any new programs.

VI. Program Objectives and Goals

A. The Primary Objective of New Policies is Cost Savings for Retail Customers. Other Valid Objectives May be Achieved.

US Steel Comment

US Steel agrees that the primary objective should be cost savings for retail customers. A related objective that should be noted in the report is to reinforce and continue existing large customer conservation, energy efficiency and DSM programs. The adopted policies and programs should be flexible and recognize existing and effective large customer programs. The large commercial and industrial customers who already adopted conservation, energy efficiency and DSR programs should be recognized in the policies and programs and encouraged by incentives to continue these activities. Their preexisting investment in these activities should be recognized. US Steel also agrees that non-quantifiable health and environmental benefits may be realized through the implementation of these types of policies and programs. US Steel's Mon Valley programs which have reduced greenhouse gases and improved air quality are an example of this.

B. The Commission Should Identify Quantifiable Goals as Part of This Objective.

US Steel Comment

US Steel believes that the Commission should identify quantifiable goals as part of its objectives. Identification of a quantifiable goal establishes a basis to measure progress and evaluate a program's effectiveness. The goals can be refined with additional experience in implementing the programs. An identified goal will assist an EDC or program administrator in measuring the effectiveness of its program components.

VII. Program Implementation

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D. Program Design

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3. Equity Considerations Dictate that Programs Are Available to All Customer Classes.

US Steel Comment

US Steel agrees that all customer classes should have the opportunity to participate in the energy efficiency, conservation or DSR programs offered. To the extent possible, the programs should be attractive and meet the particular characteristics of each customer class. For the large commercial and industrial customer classes, flexibility should be inherent in the design to recognize existing or planned programs that are unique to the customer's operations and requirements.

VIII. Program Funding and Cost-Recovery

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B. There Is No General Consensus for Specific Program Funding and Cost-Recovery Mechanisms.

1. System Benefit Charges

US Steel Comment

Without a specific amendment to the Public Utility Code, it is not clear that the Commission is authorized to implement an SBC to fund programs. The legislation proposed by Governor Rendell would authorize the Commission to establish an SBC. Prior to the Legislature's action on the Governor's proposal, it is premature to adopt an SBC without clear authority in the Public Utility Code.

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C. There Is Not a Consensus on the Role of Revenue Decoupling.

US Steel Comment

Revenue decoupling is a controversial issue which is new to Pennsylvania. Significant issues exist whether revenue decoupling is appropriate regulatory policy and whether it is authorized by the Public Utility Code. A more extensive and specific investigation of this issue should be conducted by the Commission before adopting a revenue decoupling program. Additional solicitation of public comment would be appropriate before implementing revenue decoupling to allow all parties an opportunity to comment.

D. Funding and Cost Recovery Presents Certain Ratepayer Equity Issues.

US Steel Comment

US Steel agrees that funding and cost recovery should be implemented on an even-handed basis that does not discriminate against or unduly burden any customer. US Steel agrees that funds raised from one service territory should be used for projects within that territory. The same objective should be applied to the issue of funding and benefits to customer classes. To the extent possible, a customer class should only be responsible to fund the portion of the program that provides benefits to that class. Each customer class should be responsible to fund programs that will benefit its members. The funding mechanism should be designed to avoid subsidizing the programs for certain customer classes at the expense of other customers.

IX. Other Policy Recommendations

A. Act 213 Amendments Regarding DSR and Energy Efficiency.

US Steel Comment

US Steel supports the reclassification of DSR, energy efficiency and conservation as an Act 213 Tier I alternative energy resource or some other measure to increase the value of the alternative energy credits produced by these alternative energy sources. It may be possible to reclassify only some DSR, energy efficiency or conservation measures as Tier I alternative energy sources to avoid diluting the entire value of the Tier I credits. An examination of the projected benefits of each type of DSR, energy efficiency and conservation may identify a particular activity whose benefits would support an elevation to a Tier I alternative energy source. Since large commercial or industrial customer DSR, energy efficiency and conservation measures can have significant positive environmental benefits (as US Steel has demonstrated at Mon Valley), it may be appropriate to reclassify some of these activities as Tier I resources. US Steel submits that the reclassification could be accomplished in a manner that does not undermine Act 213's objective to encourage the development of alternative energy technologies in Pennsylvania.

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D. EDC Coordination with Curtailment Service Providers

<u>US Steel Comment</u>

Most large commercial and industrial customers consider information concerning their energy use to be confidential, competitively sensitive information. Any procedures adopted by the Commission allowing EDCs to provide meter data to authorize curtailment service providers should respect the sensitivity of this information and the customer's interests in keeping it confidential. The Commission should proceed cautiously in this area and adopt procedures after comment by interested parties that respect the confidential nature of this information.

Conclusion

US Steel appreciates this opportunity to have provided these comments to the Public Utility Commission concerning the draft report on conservation, energy efficiency, demand side response and advanced metering infrastructure. US Steel respectfully requests the Commission to adopt these comments in issuing any regulations or program guidelines.

Respectfully submitted,

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