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**August 13, 2009**

**Commonwealth of Pennsylvania  
Secretary's Bureau  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265**

**RE: Docket No. M-2009-2112952, Energy Efficiency and Conservation Plan,  
Pennsylvania Electric Company**

The Keystone Energy Efficiency Alliance (KEEA) thanks the Public Utility Commission (Commission) for the opportunity to submit comments on the implementation of Act 129 of 2008. KEEA is a statewide network of 65 organizations and energy service providers focused on assisting residential and commercial customers reduce energy usage and energy bills.

KEEA is submitting comments on Docket No. M-2009-2112952, Pennsylvania Electric Company's (Penelec) Energy Efficiency and Conservation Plan (EE&C) Plan, which was submitted to the Commission on July 1, 2009 in compliance with Act 129 requirements.

The comments below outline what KEEA believes are essential parameters for successful and effective implementation of Act 129. Please note that these comments are responding to a general overview of the utility companies EE&C plans, and that individual KEEA members will submit comments specific to the individual utility EE&C

plans. KEEA's comments reflect general observations that apply across all the EE&C plans, and in some instances are specific to Penelec's programs.

### **Overview**

KEEA believes there are two fundamental components of an effective EE&C plan that will generate the long-lasting and comprehensive energy savings as envisioned under Act 129. By establishing the necessary infrastructure for: the Energy Star suite of programs, coordinated programs using national standards and consistent messages focused on direct consumer education, utility companies will achieve long-term results and deep energy reductions. Ultimately, the goal should be to transform the market through improved energy consuming behaviors, more advanced and efficient technology and a "culture" of saving energy that go beyond what can be accomplished through simple rebate and appliance swap programs. Those utilities that seek to advance "beyond the basics" will ultimately be best positioned for future energy savings. The EE&C plans point in the right direction, however, overlook a key opportunity to advance national standards and coordinated messaging.

Considering the 2% of revenue limitation placed upon spending for EE&C plans, KEEA recognizes that large-scale deployment of product programs achieve quantifiable energy reductions in a cost effective manner. While the Compact Fluorescent Lighting (CFL) installation, Appliance Turn-In and Rebate programs offered through Penelec may help meet the mandates of Act 129, they should only be considered a starting point for addressing long term energy efficiency and conservation in homes and businesses. Likewise, while on-line and walk-through energy audits may capture a large portion of Penelec's customer base, comprehensive energy audits are the only approach to identify a

comprehensive set of measures that will lead to high-performing buildings. KEEA asks the Commission to closely analyze the administrative costs of implementing “once and done” product based programs and if these are in the best interest of ratepayers over time. Rebate programs and walk through audits are active tools to reducing energy in buildings but should not be confused as an end in itself.

Product rebates and incentives that are not implemented statewide will lead to obvious implementation barriers, considering that distribution centers using national chains are looking for program marketing materials that can roll out consistently across their chains. Customers shopping in areas outside of their utility service territory are going to be confused by the myriad of offers. For example, we can see no logical reason why rebate programs for CFLs can’t be standardized and marketing materials consistent in design and content. Standard approaches and information for how to dispose of CFLs should also be included. Standardizing and marketing materials can still use company-branding logos, but the commission should look closely at these costs since they achieve little for educating consumers or changing behavior.

### **Residential Whole Building Comprehensive Program**

The sooner Penelec adopts and implements whole-house energy saving approaches and whole-building energy audits for businesses, the more significant and cost effective energy savings will ultimately be. Through prioritization of the whole building approach, Penelec and other utilities will build a foundation that will help ensure that energy conservation measures are implemented in the order that will achieve maximum savings. KEEA encourages Penelec and the Commission to proactively

establish the necessary support for the successful and expedient rollout of high performance building programs supported by coordinated educational initiatives.

The ENERGY STAR suite of programs is essential for fulfilling Act 129 mandates in an effective manner. These programs complement and reinforce one another and will build statewide capacity among building analysts, contractors, and builders. It is important to initiate programs that can develop consumer understanding and confidence, and which can lead to even deeper savings as energy costs continue to rise.

ENERGY STAR programs are widely recognized by consumers; specifically, the whole-house approach based on Home Performance with ENERGY STAR bundles consumer interests into a high value package offering customers a one-stop shop. Home Performance with ENERGY STAR is a critical program to relieve the pressure of high energy costs in the residential sector. This program is a whole house approach that moves beyond “passive” energy audits while bolstering the impact of single measure approaches, including CFL initiatives and Appliance Turn-In programs, for maximum deployment and market penetration. KEEA urges Penelec to broaden its focus beyond residential customers that rely on electric heat. By narrowing its Residential Whole Building Comprehensive Program to these customers, Penelec creates an opportunity loss for those customers who may not use electric heat but who are eager to invest in a whole building approach. As is discussed below the remarkable success of the Keystone HELP program suggests that Penelec’s customer base will be self-selecting for pursuing whole building programs.

In addition, prioritizing high performance, whole-building strategies will further stimulate technical capacity and competence statewide. KEEA encourages Penelec to

confidently engage the growing infrastructure suited to the whole building approach and make Home Performance programs available to the broader base of residential customers willing to invest in measures most appropriately suited for their home. Instead of selecting only electric heating customers for Home Performance, let the market decide and provide program support for those who want to make lasting improvements such as those identified through the Home Performance audit. KEEA believes that this action will not overwhelm the program since other actions will also be available for customers.

It is no longer valid to say there are insufficient BPI certified contractors working in Pennsylvania. With roughly 200 contractors certified by BPI in Pennsylvania, and a network of nearly 1,600 qualified contractors, including air sealers, insulators, carpenters, HVAC technicians, and roofers participating in the Keystone Home Energy Loan Program (HELP), the infrastructure to support Home Performance with ENERGY STAR is trained and ready to work. In addition, organizations across the Commonwealth are active in offering HERS Rater (RESNET) and BPI Building Analyst training programs. These programs continue to be immensely popular and are growing daily in response to demand and the focus from the federal and state levels to advance these programs.

### **Importance of Keystone HELP Program**

Keystone HELP exemplifies the market potential for integrating energy efficiency measures through a whole house approach. Keystone HELP, Pennsylvania's low interest rate loan and rebate program for energy efficiency home improvements, has seen a tremendous surge in applications since it was expanded in late February 2009 as a result of additional funding provided by the Commonwealth's Alternative Energy Investment Fund Act (Act 1). This funding provides "middle market" consumers (those with

household incomes of up to \$150,000) with lower loan interest rates or rebates for energy saving improvements such as Energy Star rated heating, cooling, insulation and whole house energy makeovers. The lowest interest rates available are for whole house improvements, which require a certified energy audit.

What is particularly noteworthy is that in just the first three months of the expanded program, over 3,600 applications for loans and rebates have been processed, with the value of funded and pending projects exceeding \$15,000,000. KEEA members attribute this surge in activity to not only the expanded contractor base, but also the inclusion of substantially lower interest rates for the whole house approach.

Unfortunately, given the state's budget woes, the administrator of Keystone HELP, AFC First, announced on August 4<sup>th</sup> that the rebate program is closed to new applications due to the lack of a state budget. In the event that state budget negotiations exclude funding for Keystone HELP, Penelec and the other electric utilities should provide supplemental funding needed to support the continuation and expansion of this low interest loan program. Lower cost financing like Keystone HELP is essential to the success of Act 129.

### **Residential New Construction Program**

KEEA commends Penelec for its incorporation of ENERGY STAR Homes as a standard for residential new construction. While ENERGY STAR Homes is approximately 15% more efficient than the current PA Energy Code (International Energy Conservation Code IECC 2006), it should be considered a starting point, rather than an ending point for comprehensive energy efficiency in new construction. However, as a new baseline for homebuilders across the state, ENERGY STAR Homes is the best

available program and should be the minimum goal for any new home construction project in the state. Although the current building code is woefully enforced in many parts of the state, this is no excuse for not building to ENERGY STAR Homes standards. Penelec could work cooperatively with code enforcement officials through code training programs in order to increase the number of code officials who know how to properly enforce the current code. Without this fundamental foundation, new homes may not meet the energy efficiency standards of the current building code. In addition, it is in Penelec's best interest to promote monitoring and tracking of new home construction over time to determine whether savings are actualized.

KEEA encourages the Commission and Penelec to embrace ENERGY STAR Homes to ensure that new home construction is designed with advanced energy efficiency in mind. ENERGY STAR Homes requires an independent, third party inspection and provides technical assistance and training to architects, developers, builders and code inspectors. KEEA also encourages Penelec to offer pilot programs that move beyond ENERGY STAR Homes' minimum requirements and qualify for the growing number of federal energy efficiency incentives.

### **Consumer Education and Outreach**

KEEA strongly encourages the Commission and Penelec to consider the role of education as a fundamental pillar on which to build comprehensive and lasting energy saving measures and behaviors. Education goes beyond marketing initiatives for various programs. Collaborating with other EDCs and public agencies is vital for establishing a coherent and consistent message that can be effectively disseminated to a diverse range of customers across the Commonwealth. KEEA urges the Commission to develop the

capacity to coordinate with EDCs in crafting and approving a message that is consistent with EE&C plans and can be disseminated statewide.

KEEA understands that the Commission does not have a dedicated budget to brand a statewide campaign and provide independent resources to this effect; however, with existing staff and resources much can be accomplished. Coordinating with other agencies, such as DEP, DOE and EPA, to ensure that utilities are promoting and leveraging state and federal programs will build public confidence that the utilities can deliver “one-stop shop” information on tax credits, rebates and other incentives. The Commission should also play a strong role in coordinating existing and future resources.

Offering individual and in-home education is essential for shifting consumer behavior toward energy efficiency and conservation and for educating customers about the dynamic nature of energy use. Combining education and outreach in the marketplace with in-home energy audits and assessments provides the necessary foundation to transform energy consuming behaviors beyond one-time rebates or incentives. It will be imperative that the first line of consumer contact, such as those administering the CFL and Appliance Turn-In programs, is knowledgeable about the breadth of energy efficiency opportunities and can direct and encourage consumers to take additional steps to save energy.

Relying on local organizations, including governing bodies, non-profit organizations and community groups, offers a particularly effective avenue for informing residents and local businesses about saving energy and costs. As a low cost or no cost option, failing to engage community organizations in educational efforts becomes an opportunity loss. This educational approach also offers a high level of assurance for

protecting the consumer against misleading information and ineffective products in the marketplace.

**Energy Audit and Technical Assessment Program (Commercial/Industrial Small Sector)**

Due to popularity of the Small Business Energy Efficiency Grant Program administrated by DEP, it is clear there is much pent-up demand for small business energy audits. DEP has already shown payback periods of one year or less on the audit work performed. This is remarkable since even lighting upgrades alone often have a longer payback period. Audits for businesses should be the first line of focus for small businesses. Rebates can be part of any program but without energy audits, many cost effective saving opportunities in buildings will be missed. For example, if there is a rebate for installing a high efficient furnace and this is done without the benefit of an audit, owners could be spending money on improvements that are motivated more by the fact that there is a rebate available than what will bring the best energy savings to the building. KEEA strongly urges Penelec to offer more comprehensive assessments to the small business sector rather than the simple walk-through audit it currently proposes. By limiting comprehensive audits for medium to large scale non-residential customers, Penelec is missing an opportunity to achieve deep savings in the small business sector. In light of tight profit margins and rising energy costs, many small businesses are eager to invest in whole-building energy saving measures requiring a more comprehensive assessment than a one-time simple walk through audit.

Improving energy efficiency for small business customers should be coordinated to ensure the highest level of savings for dollars invested. KEEA recognizes that lighting

upgrades for small business could possibly be the most cost effective starting point but it would be a poor use of ratepayer dollars if programs stop at lighting upgrades or assume that lighting is the only cost effective investment. Incentivizing and promoting advanced measures will encourage more businesses to move beyond lighting upgrades and participate in achieving deep energy savings for the long-term.

### **Fuel Switching**

UGI has suggested that switching to natural gas could be used to reduce overall electricity consumption. KEEA believes that without a statewide gas conservation plan similar to Act 129, mandating fuel switching will have a minimal impact on comprehensive transformation of Pennsylvania's energy paradigm. There is as great a need to provide program support and education on gas consumption as there is on the electricity side. Much like electricity consumption, whole house energy efficiency assessments and services can, in effect, be fuel neutral.

### **Renewable Energy**

KEEA commends Penelec for its promotion of solar energy systems as part of its Residential New Construction Program. KEEA encourages Penelec and the Commission to further embrace the developments in renewable energy resources to stimulate energy efficiency and conservation measures. The integration of both EE&C with renewable energy offers a significant opportunity for Pennsylvania to further propel toward energy independence. KEEA understands that renewable energy resources may not always be cost effective under the current 2% cap, however, simple information sharing to interested customers could be part of a general education plan. For example, if a homeowner or business expresses interest in solar, the utility could provide a site analysis

for potential solar system in the course of a home or business audit. In other words, an energy auditor could be easily cross-trained to provide a simple site analysis or, at a minimum, provide information on DEP approved contractors. Solar thermal systems are also becoming more cost effective and need additional support for integrating the advances in solar energy. Small pilot projects may provide the necessary baseline data to test the viability of these technologies under Act 129, and can be supported by state and federal rebates and incentives. While ownership of renewable energy credits would need to be determined, this mechanism can help bring down the costs of implementing small pilot programs in renewable energy.

### **Coordination with National Policies and Initiatives**

KEEA supports the Commission's ongoing and rigorous evaluation of EE&C plans, and encourages the Commission to remain amenable to the modification of these plans as lessons are learned from implementation and in response to future developments in federal energy policy and programs. Significant developments are underway at the federal level that could create major new opportunities for leveraging resources and coordination. The Commission needs to encourage Penelec to maximize these opportunities.

### **Stakeholder Advisory Role**

Convening the Stakeholder Advisory Committee on an on-going basis offers a valuable opportunity for Penelec to receive input from interested parties on implementation as well as opportunities to leverage federal resources, thus remaining nimble for meeting Act 129 requirements. The commission should also hold periodic

stakeholders' processes to determine whether programs are progressing as planned and positioned to reach the intended goals.

KEEA thanks the Commission for this opportunity to comment on Penelec's EE&C plan and looks forward to working with both entities to achieve the goals set forth in Act 129.

*Respectfully submitted by: Peter A. Olmsted*

*on behalf of Keystone Energy Efficiency Alliance*