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| PUC logo | COMMONWEALTH OF PENNSYLVANIAPENNSYLVANIA PUBLIC UTILITY COMMISSIONP.O. BOX 3265, HARRISBURG, PA 17105-3265 | **IN REPLY PLEASE REFER TO OUR FILE**M-00051865 |

May 21, 2010

To: All Interested Parties

 Re: Act 129 Fuel Switching Working Group Staff Report

 Docket No. M‑00051865

Act 129 of 2008 (Act 129) was signed into law on October 15, 2008, setting forth goals for reducing energy consumption and demand. Among other things, Act 129 amended the Public Utility Code to require the implementation of Energy Efficiency and Conservation (EE&C) plans by affected electric distribution companies (EDCs), after review and approval by the Public Utility Commission (Commission).

The Fuel Switching Working Group (FSWG or Working Group) was initiated by the Commission in June 2009 in the *Implementation of the Alternative Energy Portfolio Standards Act of 2004: Standards for the Participation of Demand Side Management Resources – Technical Reference Manual* (TRM) proceeding at Docket No. M‑00051856. The initial charge of the Working Group was to identify, research and address issues related to fuel switching with the possibility of the inclusion of fuel switching related deemed energy savings in future versions of the TRM. In its Orders[[1]](#footnote-1) ruling on the EDCs’ EE&C plans, the Commission directed the FSWG to provide recommendations by March 31, 2010 on whether changes to the TRM or Total Resource Cost test (TRC test) are justified. The Commission subsequently extended this due date to April 30, 2010.

 The Commission issued a Secretarial Letter on December 10, 2010, setting a Working Group meeting for January 6, 2010, and listing questions for the Working Group to address. Participants at the January 6, 2010 meeting, included representatives from EDCs, natural gas distribution companies (NGDCs), industry trade associations, consumer advocacy groups, the statutory advocates and Commission staff. The FSWG also met on February 26, 2010. As part of the FSWG process, various Working Group participants provided written proposals, comments and other data related to issues concerning fuel switching measures.[[2]](#footnote-2)

Staff notes that while the FSWG could not reach a true consensus on any of the topics raised, there were topics where participants could accept positions other than their preferred position. As there was no true consensus on the topics, Commission staff developed a report that sets forth the topics raised, the positions of the participants and a Commission staff recommendation.

A summary of the Commission staff’s recommendations follow:

* Cost‑effective fuel switching measures should be available to EDCs and their stakeholders when considering the best means of achieving EE&C plan goals. However, fuel switching programs should not be mandated.
* EDCs should address the design of fuel switching programs through their stakeholder processes.
* The most effective manner in which to develop guidance to determine efficiency standards for any equipment involved in a fuel switching program is through the TRM and TRC test revision processes.
* Custom evaluation, measurement and verification methods for determining electric consumption and demand reductions associated with fuel switching programs should be developed by each EDC’s independent monitor and approved by the Director of the Bureau of Conservation, Economics and Energy Planning.
* Any proposed deemed savings associated with specific fuel switching measures should be reviewed under the TRM update process.
* EDCs be permitted to consider fuel switching programs for low income customers.
* The Commission release this Report and adopt, reject, modify or add to the Staff’s recommendations contained in it.
* That the Commission direct CEEP to develop deemed evaluation, measurement and verification protocols for specific energy efficiency measures that involve switching from electricity to another fuel source, to be considered for inclusion in the TRM. CEEP is to develop these protocols in conjunction with the Statewide Evaluator and through the annual TRM revision process.
* The Commission direct CEEP to develop recommended changes to the TRC test needed to analyze the costs and benefits of energy efficiency measures that involve switching from electricity to another fuel source. CEEP is to develop these recommended changes to the TRC test in conjunction with the Statewide Evaluator and the Total Resource Cost Test Working Group.

By this Secretarial Letter, the Commission is releasing the *Act 129 Fuel Switching Working Group Staff Report* and adopting the recommendations presented therein. Accordingly, the Commission directs the Bureau of Conservation, Economics and Energy Planning, in conjunction with the Statewide Evaluator, to develop deemed evaluation, measurement and verification protocols for specific energy efficiency measures that involve switching from electricity to another fuel source, to be considered for inclusion in future updates to the Technical Reference Manual.

In addition, the Commission directs the Bureau of Conservation, Economics and Energy Planning to develop, in conjunction with the Statewide Evaluator and the Total Resource Cost Test Working Group, recommended changes to the Total Resource Cost Test needed to appropriately analyze the costs and benefits of energy efficiency measures that involve switching from electricity to another fuel source.

As the Commission is adopting the recommendations contained in the *Staff Report*, cost‑effective fuel switching measures can now be proposed for Commission approval in accordance with the normal Act 129 EE&C plan updating process outlined in pages 23 and 24 of this Commission’s *Energy Efficiency and Conservation Program Implementation Order* at Docket No. M‑2008‑2069887, entered January 16, 2009.

The Commission thanks the Fuel Switching Working Group members for their work on this report and requests that they, and all interested parties, actively participate in the Commission’s and the EDCs’ efforts related to this important topic and the Act 129 energy efficiency and conservation program as a whole.



 Sincerely,

 Rosemary Chiavetta

 Secretary

Attachment: The Act 129 Fuel Switching Working Group Staff Report

1. *Petition of West Penn Power Company d/b/a Allegheny Power for Approval of its Energy Efficiency and Conservation Plan*, Order entered October 23, 2009 at Docket No. M-2009-2093218; *Petition of PPL Electric Utilities Corporation for Approval of its Energy Efficiency and Conservation Plan*, Order entered October 26, 2009 at Docket No. M-2009-2093216; *Petition of Duquesne Light Company for Approval of its Energy Efficiency and Conservation and Demand Response Plan*, Order entered October 27, 2009 at Docket No. M-2009-2093217; *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company for Consolidation of Proceedings and Approval of Energy Efficiency and Conservation Plans,* Order entered October 28, 2009 at Docket No. M- 2009-2092222, M-2009-2112952 and M-2009-2112956; *Petition of PECO Energy Company for Approval of its Act 129 Energy Efficiency and Conservation Plan and Expedited Approval of its Compact Fluorescent Lamp Program*, Order entered October 28, 2009 at Docket No. M-2009-2093215 (collectively Orders). [↑](#footnote-ref-1)
2. The written proposals, comments and data can be found on the Commission’s Act 129 Information web page at <http://www.puc.state.pa.us/electric/Act_129_info.aspx> under the Fuel Switching Working Group heading. [↑](#footnote-ref-2)