

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560 (in PA only)

IRWINA. POPOWSKY
Consumer Advocate

FAX (717) 783-7152
consumer@paoca.org

May 19, 2011

Rosemary Chiavetta, Secretary
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg PA 17105

RE: Petition of Duquesne Light Company for
Approval of its Energy Efficiency and
Conservation and Demand Response Plan
Docket No. M-2009-2093217

Dear Secretary Chiavetta:

Enclosed for filing please find the Answer of the Office of Consumer Advocate in the above-referenced proceeding.

The copies have been served upon all parties of record as shown on the attached Certificate of Service.

Respectfully Submitted,

A handwritten signature in black ink that reads "David T. Evrard".

David T. Evrard
Assistant Consumer Advocate
PA Attorney I.D. # 33870

Enclosures

cc: Certificate of Service
143350.doc

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company	:	
For Approval of its Energy Efficiency	:	Docket No. M-2009-2093217
and Conservation and Demand Response	:	
Plan	:	

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

Act 129 of 2008 mandated the Commonwealth's major electric distribution companies (EDCs) to reach certain energy consumption and peak demand reduction targets by milestone dates in 2011 and 2013. Under the Act, EDCs are required to reduce electricity consumption by 1 percent as of May 31, 2011 and by 3 percent as of May 31, 2013. Also as of May 31, 2013, EDCs must reduce their annual peak system demand by 4.5% over the top 100 summer hours. Pursuant to the requirements of Act 129, Duquesne Light Company (Duquesne or Company) filed an Energy Efficiency and Conservation and Demand Response Plan (Plan) with the Public Utility Commission (Commission) on June 30, 2009. As part of its effort to meet the peak demand reduction targets specified in the Act, Duquesne included within its Plan three demand response programs, one designed for residential customers, one for small and midsized commercial and industrial customers and one for large commercial and industrial customers. The programs designed for residential and small/midsized commercial and industrial customers were air conditioning cycling programs (A/C cycling) and the program aimed at large commercial and industrial customers was a curtailable load program.

On May 9, 2011, Duquesne filed a Petition with the Commission seeking approval of certain changes to the Demand Response (DR) component of its Plan. In particular, Duquesne proposes to eliminate the residential and small/midsized commercial and industrial air conditioning cycling programs because the Company has determined them to be not cost-effective. Instead, Duquesne proposes to shift the funds that would have been spent on the residential A/C cycling program (\$2,928,070) to other existing residential energy efficiency programs. The funds would not be immediately earmarked for particular energy efficiency programs but would be held in reserve until the Company determines the most prudent use of the funds for residential customers. Upon reaching such a determination, Duquesne would file with the Commission for approval to expend the funds in accordance with the Company's determination.

As to the funds that Duquesne would have spent on the small and midsized commercial and industrial A/C cycling program, the Company proposes to shift these funds to the large commercial and industrial load curtailment program, which the Company maintains has been shown to achieve very cost effective demand reductions.

In its May 9 Petition, Duquesne also requests the Commission to issue a decision on its request by June 9, 2011 to allow the Company to avoid spending additional ramp-up funds on the programs proposed to be eliminated.

As support for its proposal, Duquesne states that the costs and effectiveness of the A/C cycling programs have deteriorated significantly since the Company first proposed them in 2009. Duquesne originally expected these programs to produce a demand reduction of 26.3 MW at cost of approximately \$150,000 per MW. Its latest estimates are that the programs will produce only 5 MW of demand reduction at a cost of about \$780,000 per MW. As reasons for this

deterioration in results, Duquesne cites implementation delays due to uncertainties about measurement and verification protocols, as well as reductions in the value of capacity and energy on the wholesale electric markets.

By contrast, Duquesne originally projected that its Large Commercial and Industrial load curtailment program would achieve 10.8 MW of demand reduction at a cost of approximately \$51,550 per MW. It now estimates that this program will achieve 40 MWs of demand reduction for the same investment, meaning that each MW of reduction can be achieved for roughly \$14,000 per MW. In addition, Duquesne maintains that by shifting the funds budgeted for the small and midsized commercial and industrial A/C cycling program to the Large C&I load curtailment program, it can attain an additional reductions of at least 20 MW by way of the Large C&I program. To accomplish this, Duquesne estimates that it may have to spend only \$300,000 of the amount transferred from the small and midsized C&I program.

II. ANSWER

The Office of Consumer Advocate (OCA) understands and supports Duquesne's objective of achieving its Act 129 compliance goals in as cost effective and prudent a manner as possible and will therefore not oppose the modifications the Company has proposed in its petition. However, the OCA continues to support the use of residential load control programs as a means of meeting the demand reduction requirements of Act 129 and as a long-term means of realizing lower generation prices and greater reliability. In the OCA's view, an analysis of residential direct load control programs under the Total Resource Cost must consider the long term existence of this measure.

While Act 129's peak demand reduction compliance date is May 31, 2013, the OCA notes that if the residential A/C cycling program was in fact implemented, the benefits of the

program would extend well beyond 2013 and the economics of the program could very well change over time. For example, in its Petition, Duquesne cites a deterioration in the wholesale value of energy and capacity as having an adverse effect on the calculation of both program benefits and program costs. Petition at 5. However, just last week PJM Interconnection announced the results of its capacity auction for the 2014-15 Delivery Year (DY) and the price for capacity in the region in which Duquesne operates rose dramatically from \$27.73 for DY 2013-14 to \$125.99 for DY 2014-15. This type of substantial change, when combined with the fact that the load cycling switch technology, once deployed, becomes a sunk cost, could markedly change the economics of the residential A/C cycling program in future years.

The OCA is also mindful of the provisions of Section 2806.1(d)(2) of the Public Utility Code under which the Commission, after an examination of the costs and benefits of the peak demand reduction programs implemented to date, could set additional incremental peak demand reduction requirements to be met by May 31, 2017. Having the residential A/C cycling program already in place could facilitate the attainment of any second-round reduction goals.

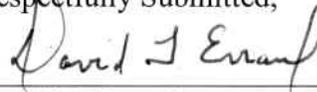
The OCA understands Duquesne's need to achieve more significant demand reductions than what it currently anticipates from its residential direct load control program to meet its Act 129 requirements. As part of its request, Duquesne indicates that it will have available the \$2.9 million it had budgeted for the program. Duquesne proposes to transfer this money to the residential energy efficiency programs it operates under its Plan. However, Duquesne does not make a specific proposal as to the distribution of this money among its various residential energy efficiency programs or explain how these programs will help to achieve the Act 129 requirement. Rather, the Company states, "After analysis of demonstrated program performances, Duquesne will submit its proposed use of such funds and request approval thereof." Petition at 6. The

OCA submits that as Duquesne formulates any plan for the disposition of the residential A/C cycling program money, it could benefit from consultation with interested stakeholders, including the OCA, to find the best way to proceed and even to determine whether some form of residential direct load control program could still be employed. Accordingly, the OCA respectfully requests that as part of any approval of the instant petition, the Commission direct Duquesne to consult with interested stakeholders prior to presenting any proposal for the reallocation of residential A/C cycling program funds to the Commission for approval and that such process continue to consider forms of residential direct load control programs analyzed under an appropriate time frame.

III. CONCLUSION

The OCA will not oppose the modifications sought by Duquesne in the instant petition, subject to Duquesne consulting with stakeholders, including the OCA, in formulating any plan to redistribute the funds budgeted for the residential air conditioning cycling programs to its other residential energy efficiency programs and continuing to include consideration of forms of residential direct load control programs.

Respectfully Submitted,



David T. Evrard
Assistant Consumer Advocate
PA Attorney I.D. # 33870
E-Mail: DEvrard@paoca.org

Counsel for:
Irwin A. Popowsky
Consumer Advocate

Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

May 19, 2011

143273

CERTIFICATE OF SERVICE

Petition of Duquesne Light Company :
for Approval of its Energy Efficiency : Docket No. M-2009-2093217
and Conservation and Demand :
Response Plan :

I hereby certify that I have this day served a true copy of the foregoing document, Answer of the Office of Consumer Advocate, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 19th day of May 2011.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Charles Daniel Shields, Esquire
Adeolu Bakare, Esquire
Office of Trial Staff
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120
Counsel for: *Office of Trial Staff*

SERVICE BY E-MAIL and FIRST CLASS MAIL

Gary A. Jack
Assistant General Counsel
Duquesne Light
16th Floor
411 Seventh Avenue
Pittsburgh, PA 15219
Counsel for: *Duquesne Light Company*

Sharon E. Webb
Assistant Small Business Advocate
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101
Counsel for: *Office of Small Business Advocate*

Daniel Clearfield, Esquire
Eckert Seamans Cherin & Mellott, LLC
213 Market Street - 8th Floor
Harrisburg, PA 17108-1248
Counsel for: *Direct Energy Business, LLC*

Pamela Polacek, Esquire
Shelby A. Linton-Keddie, Esquire
Barry A. Naum, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Counsel for: *Duquesne Industrial Intervenors*

Kurt E. Klappkowski, Assistant Counsel
Commonwealth of Pennsylvania
Department of Environmental Protection
RC SOB, 9th Floor
400 Market Street
Harrisburg, PA 17101-2301
Counsel for: *Department of Environmental Protection*

Divesh Gupta, Esquire
Senior Counsel
100 Constellation Way, Suite 500C
Baltimore MD
(410) 470-3158
(443) 213-3556 (fax)
Counsel for: *Constellation Energy*

Pamela Polacek, Esquire
McNees Wallace & Nurick, LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Counsel for: *ClearChoice Energy*

Harry S. Geller, Esquire
John C. Gerhard, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101-1414
Counsel for: *Pennsylvania Association of Community Organizations for Reform Now*

Theodore J. Gallagher
Senior Counsel
NiSource Corporate Services Company
501 Technology Drive
Canonsburg, PA 15317
Counsel for: *Columbia Gas of Pennsylvania, Inc.*

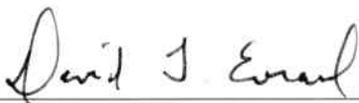
Daniel L. Frutchey
Chief Regulatory Officer
Equitable Distribution
225 North Shore Drive
Pittsburgh, PA 15212-5861
Counsel for: *Equitable Gas Company*

Kevin J. McKeon, Esquire
Tori L. Giesler, Esquire
Hawke McKeon & Sniscak LLP
P.O. Box 1778
100 North Tenth Street
Harrisburg, PA 17101
Counsel for: *The Peoples Natural Gas Company d/b/a Dominion Peoples*

Scott H. DeBroff, Esquire
Alicia R. Petersen, Esquire
Rhoads & Sinon, LLP
Twelfth Floor
One south Market Square
Harrisburg, PA 17108-1146
Counsel for: *EnerNOC, Inc*

Charles E. Thomas, Jr., Esquire
Thomas T. Niesen, Esquire
Thomas, Long, Niesen & Kennard
212 Locust Street
P. O. Box 9500
Harrisburg, PA 17108-9500
Counsel for: *Equitable Gas Company.*

Carolyn Pengidore
Clear Choice Energy
180 Fort Couch Road, Suite 265
Pittsburgh, PA 15241



David T. Evrard
Assistant Consumer Advocate
PA Attorney I.D. # 33870
E-Mail: DEvrard@paoca.org
Tanya J. McCloskey
Senior Assistant Consumer Advocate
PA Attorney I.D. # 50044
E-Mail: TMcCloskey@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

00114542.docx