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April 17, 2012

Via Electronic Filing
Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
P.O. Box 3254
Harrisburg, PA 17105-3265

Re: Act 129 Energy Efficiehcy and Conservation Program - Phase Two
Docket No. M-2012-2289411

Dear Secretary Chiavetta:

Enclosed for filing please find comments of the City of Philadelphia in the matter referenced above. Thank you for providing the opportunity to comment.

Very truly yours,

Scott J. Schwarz
Senior Attorney

Enclosure

BEFORE THE
PENHSYLVANIA PUBLIC UTILITY COMMISSION

Act 129 Energy Efficiency and Conservation Program Phase Two	: :	Docket No. M-2012-2289411

COMMENTS OF THE CITY OF PHILADELPHIA

The City of Philadelphia ("City") provides these comments to the Pennsylvania Public Utility Commission ("Commission") in response to the Secretarial Letter dated March 1, 2012.

Planning Timeline. The City in general agrees with the timeline. The City is aware that our local EDC, PECO, has expressed an interest in moving up the date for the Commission approval of the EE&C Program to January 2013. The City agrees that to the extent the Commission and parties can expedite the schedule, additional time for EDCs to implement new/revised EE&C Program will help in the successful launch of the program.

Length of second EE&C Program. The City recommends a 5 year program. The City believes that a longer program has several advantages that outweigh the countervailing concerns raised by the Commission. A longer program term will allow customers to become better informed of revised/new program initiatives, evaluate them, budget for improvements and design and implement them. Program stability is essential for all customers to make informed decisions about significant expenditures. Customer education about the value of energy efficiency programs takes time. Some customers will be able to implement quicker than others. All should have the opportunity. The current EE&C program in the PECO territory is winding down just as customers have become familiar with program opportunities.

Inclusion of Demand Response Curtailment Program. The City recommends that the Commission utilize the "third option" of setting aside a portion of the budget in the event that the Commission determines that there is a cost-effective demand response program. The Commission should evaluate the need for demand response programs based on the specific needs of EDC territories. Demand response programs may not be the cost-effective way of achieving reliable peak demand reductions in all territories. While the state-wide evaluator further investigates such programs, the City also recommends that the Commission consider setting specific demand reduction goals that would be met with on-site or local generation capacity, energy storage and energy management control systems. Demand reduction incentives for alternative energy production and efficient cogeneration could be effective tools in expanding the available on-site generation resources available during peak use periods. Similarly, incentives for energy storage and energy management control systems can provide long term reductions, and work with PJM curtailment and incentive program to maximize benefits for the grid and the customer.

Aligning EDC Targets and Funding Using Dollars per MWh of Expected Reductions. The City recommends that the Commission address the imbalance created by some EDCs having less revenue available per MWh. The Commission should maintain a budget of 2% of revenues for the EDC EE&C plans and set reductions based on a targeted MWh reduction per dollar. EDC territories may have different cost profiles for energy efficiency improvements and to the extent these have been identified, they should be factored into MWh reductions required per dollar of program expenditure.

Inclusion of a Target Carve-Out for the Government, Educational and Non-profit Sector. The City recommends that the Commission continue its policy of requiring a carve out for the government, educational and non-profit sector. The public benefits of higher efficiency in government and government-supported facilities support these carve-outs and accordingly, the Commission should set carve-outs based on savings. The City agrees that different EDC territories may have different potentials and targets should be set based on the relative potential of the government, educational and non-profit sector to utilize the carve-outs. The City believes that the potential in the PECO territory remains very high with very high concentrations of eligible facilities. EDCs should structure and market EE&C programs to align with existing state program initiatives, such as the Guaranteed Energy Savings Act, which can bring financing to the projects as needed. It is not clear to the City that on-bill financing would benefit government, educational and non-profit sectors more than other similar commercial facilities. The City believes the issue of on-bill financing should be considered more broadly and take into consideration the need for ongoing education and outreach to increase overall knowledge about energy efficiency and drive increased utilization of financing programs, particularly with respect to residential customers. Perhaps of equal importance to project success is the availability of energy data in formats that facilitate making energy improvement investments and benchmarking energy conservation effectiveness. This is essential not only for the government, education and non-profit sector but for all significant investments by customers. EDCs also must recognize the often lengthy processes for approval of projects by the government, education and non-profit sector, which makes this sector potentially disproportionately affected by early shut downs of programs such as occurred in the PECO territory.

Transition Issues. EDCs should be continuing Phase I program activities to the fullest extent possible through May 31, 2013. Program shut downs have caused and will cause program disruptions and require additional expenditures for cold starts in June 2013.

(i) Whether the Commission should give consideration in the potential next phase for an EDC that exceeds its Phase One EE target. To the extent the reduction goals of 3% are exceeded, EDCs should receive credit to meeting the new target reductions that are established in Phase 2. These credits could allow EDCs to support more projects with greater longer term savings.

(ii) Whether an EDC that has met its Phase One EE target but not spent all of its Phase One budget should continue its Phase One program implementation until the second EE&C Plan begins or unit Phase One funds are exhausted. EDCs should continue Phase I programs until funds are exhausted or Phase 2 begins. This will provide program continuity, fairness to customers who have paid for, planned, applied for but not received program benefits, and continuing progress towards greater state-wide efficiency.

(iii) How to operationalize additional required incremental reductions. Maintain the 2009-2010 energy forecast and add additional targets to the existing 3%.