

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Act 129 Energy Efficiency and Conservation Program Phase Two

Docket Numbers: M-2012-2289411 and M-2008-2069887

**REPLY COMMENTS ON THE TENTATIVE IMPLEMENTATION
ORDER OF:**

**AK STEEL; ASSOCIATION FOR DEMAND RESPONSE AND SMART
GRID; CLEAN AIR COUNCIL; COMVERGE, INC.; CONSERVATION
VOTERS OF PA; ENERNOC, INC.; ENVIRONMENTAL DEFENSE
FUND; GROUP AGAINST SMOG AND POLLUTION; JOHNSON
CONTROLS, INC. AND ENERGYCONNECT; KEYSTONE ENERGY
EFFICIENCY ALLIANCE; PENNENVIRONMENT; THE SIERRA
CLUB; VIRIDITY ENERGY, INC.; WAL-MART STORES EAST, LP
AND SAM'S EAST, INC.**

Dated: July 9, 2012

I. INTRODUCTION

The DR Respondents (“Respondents,” listed above) emphasize that the Joint Demand Response Comments on the Tentative Implementation Order are broadly supported by a very diverse and large group of organizations and businesses, including trade unions, environmental groups, public health advocates, large industrial energy consumers, and demand response providers.¹ The Respondents request that the Commission carefully review the Joint DR Comments, which justify extension of DR programs into Phase II. In addition, the Respondents wish to clarify the record on a few points raised by other parties in initial comments. Specifically, for all of the reasons discussed in the Joint DR Comments, as well as those discussed below, the Commissions should not wait until the completion of a cost-effectiveness study in order to set further demand reduction goals.² Among the many reasons for planning for the continuation of Act 129 DR programs, is that PJM’s DR programs will not help at all to achieve Act 129’s goals. In fact, EDCs like PECO have correctly recognized that allowing DR programs to go dark will harm ratepayers and strand costs. Moreover, there is support in the record of the Joint DR Commenters’ position on modifying the “top 100 hours methodology.”³ Finally, the Respondents would like to offer their support for the procedural recommendations set forth in initial comments by the Office of the Consumer Advocate.⁴

II. THE COMMISSION CAN AND SHOULD SET ADDITIONAL PEAK DEMAND REDUCTION TARGETS IN THIS PROCEEDING

¹ *Joint Demand Response Comments* (filed June 25, 2012) (“Joint DR Comments”).

² *PECO Energy Company’s Comments on the Commission’s May 11, 2012 Tentative Implementation Order* at pages 10-12 (filed June 25, 2012) (“PECO Comments”); *Comments of State Representative Camille “Bud” George-1* at page 1 (filed June 25, 2012); *Comments on the Tentative Implementation Order of the City of Philadelphia* at page 2 (filed June 22, 2012) (“City of Philadelphia Comments”).

³ *Comments of Duquesne Light Company on the Commission’s Energy Efficiency & Conservation Plan Tentative Implementation Order* at page 5 (filed June 25, 2012) (“Duquesne Comments”); *Comments of Metropolitan Edison Company et al. to the May 10, 2012 Tentative Order on Act 129 Energy Efficiency and Conservation Program Phase Two* at pages 8-9 (filed June 25, 2012) (“FirstEnergy Comments”).

⁴ *Comments of the Office of the Consumer Advocate* at pages 8-9 (filed June 25, 2012) (“OCA Comments”).

A couple of parties seem accepting of the Commission's initial conclusion to wait until the SWE completes the cost-effectiveness study to set additional peak demand reductions targets,⁵ but these comments are misguided. As explained in the Joint DR Comments at pages 8-14 regardless of whether peak reduction goals are set, the Commission at minimum can and should extend the existing programs. The Respondents strongly agree with PECO's conclusion that allowing DR programs to go dark "will create the potential for customer confusion, stranded capital assets (e.g., the direct load control switches) and increased costs resulting from stopping and restarting the DLC programs in Phase Three."⁶ The Respondents thus reiterate that the Commission can and should continue DR programs through Phase II for the benefit of Pennsylvania's citizens and environment. Moreover, as fully explained in the Joint Demand Response Comments at pages 6-8, nothing in Act 129 prohibits the Commission from setting peak demand reduction targets now, and setting those targets now is more consistent with the spirit of Act 129 which presupposes new peak demand targets for 2017.

III. PJM'S DEMAND RESPONSE PROGRAMS CANNOT SUBSTITUTE FOR PENNSYLVANIA'S ACT 129 DEMAND REDUCTION PROGRAMS

PJM's DR programs cannot substitute for those of Act 129. Two parties erroneously conclude they can.⁷ Act 129 clearly sets forth peak demand reduction goals and this plain language should not be ignored. Moreover, multiple PJM DR programs were in place at the time the legislators enacted Act 129. For these reasons and all of the reasons discussed at pages 11-14 of the Joint DR Comments, the Commission should afford little or no weight to these arguments.

IV. THE COMMISSION SHOULD USE ITS STATUTORY AUTHORITY TO AMEND THE "TOP 100 HOURS" METHODOLOGY IN THIS PROCEEDING

⁵ Duquesne Comments at page 5; FirstEnergy Comments at pages 8-9.

⁶ PECO Comments at page 11. While PECO's comments specifically refer to Direct Load Control programs, the arguments it makes are equally applicable to the commercial and industrial programs which make up the majority of Act 129 peak load reduction programs.

⁷ Duquesne Comments at page 5; FirstEnergy Comments at pages 8-9.

There is broad support in the record for the Commission to use its statutory authority to amend the “top 100 hours” methodology to allow EDCs to more accurately forecast their required peak demand reduction.⁸ The DR Respondents, in previous comments,⁹ pushed for a methodology that calls for curtailments when next-day demand in an EDC territory is forecasted to reach a certain percentage of its forecasted peak summer demand. As highlighted in initial comments, one example is that of Con Edison’s Commercial System Relief Program (“CSRP”). Under the CSRP, a planned event is defined as a day-ahead forecasted load level that is at least 96 percent of the Company’s forecasted summer system peak.¹⁰ An objective trigger, like the one provided in the CSRP example, would obviate the need to forecast the top 100 hours and can be entirely consistent with the peak load reduction programs mandated under Act 129.

V. THE DR RESPONDENTS SUPPORT THE OCA’S PROCEDURAL RECOMMENDATIONS

The Respondents support the procedural recommendations made by the Office of Consumer Advocate.¹¹ Extension of the procedural schedule will accommodate both the parties’ and the Commission’s need for additional time to incorporate the comments it is receiving, as well as the results of its inquiry into the appropriate TRC test to be used for determining whether the current programs are cost effective. The Respondents also support OCA’s proposed adoption of a four year implementation for Phase II. This ensures that DR programs can participate in the PJM Baseline Residual Auction and affect prices to the benefit of consumers.

⁸ Duquesne Comments at page 5; FirstEnergy Comments at pages 8-9.

⁹ Joint DR Comments at page 16.

¹⁰ Under the CSRP, the following incentives are offered when the following conditions are met. Participants receive monthly reservation payments to participate in the program. The summer period for CSRP typically runs from May 1 through October 31. Program participants are notified at least 21 hours before the peak load shaving event is scheduled to begin, and are expected to reduce load based upon their pledged amount of demand reduction. The call window is five hours and is dependent upon whether the network is daytime or nighttime peaking. The daytime peaking networks are called from 12pm-5pm and the nighttime peaking networks are called from 5pm-10pm. In addition to the reservation payment, participants receive an energy payment that is equal to \$0.50 per kW reduced during each event hour.

¹¹ OCA Comments at pages 8-9.

Finally, the Respondents also concur with the OCA on the issue of rebidding existing CSP contracts.¹² The re-bidding of existing DR program contracts would foreclose the possibility of continuing the programs in 2013.

VI. CONCLUSION

The Respondents have heretofore shown that the Commission can and should implement peak demand reduction goals for Phase II and that PJM DR programs do not work in the same manner and to the same end as Act 129 DR programs. The Respondents have also highlighted that there is broad support for amending the “top 100 hours” methodology. Lastly, the Respondents have expressed their support for the procedural recommendations of the OCA.

The DR Respondents thank the Commission for this opportunity to comment.

Respectfully submitted,

AK STEEL; ASSOCIATION FOR DEMAND RESPONSE AND SMART GRID; CLEAN AIR COUNCIL; COMVERGE, INC.; CONSERVATION VOTERS OF PA; ENERNOC, INC.; ENVIRONMENTAL DEFENSE FUND; GROUP AGAINST SMOG AND POLLUTION; JOHNSON CONTROLS, INC. AND ENERGYCONNECT; KEYSTONE ENERGY EFFICIENCY ALLIANCE; PENNENVIRONMENT; THE SIERRA CLUB; VIRIDITY ENERGY, INC.; WAL-MART STORES EAST, LP AND SAM’S EAST, INC.

Dated: July 9, 2012

[SIGNATURE PAGE FOLLOWS]

¹² OCA comments at pages 20-21.

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