

PENNSYLVANIA PUBLIC UTILITY COMMISSION  
Harrisburg, Pennsylvania 17105-3265

Re: 2016 Total Resource Cost Test

Public Meeting: June 11, 2015  
2468992-LAW  
Docket No. M-2015-2468992

JOINT MOTION OF COMMISSIONERS JAMES H. CAWLEY AND  
PAMELA A. WITMER

Before the Commission for consideration and disposition are the specific refinements to the 2016 Total Resource Cost (TRC) Test for use in Phase III, which will begin June 1, 2016. Act 129 requires all Pennsylvania Electric Distribution Companies (EDCs) with more than 100,000 customers to demonstrate that their plans are cost-effective using the TRC test.

As part of this test, this Commission must determine whether non-electric benefits from savings of fossil fuels such as propane, natural gas, and oil should be factored into the TRC Test. While the Commission has opted not to include this benefit in past TRC Tests, the parties to this case have provided compelling support for reversing this position.

The Joint Commenters<sup>1</sup>/National Resources Defense Council (NRDC) state that Act 129 does not prohibit the inclusion of Operation and Maintenance (O&M) benefits such as fossil fuel and water savings, arguing that it is inconsistent to allow inclusion of O&M savings but not to allow fossil fuel and water savings to count. In reply comments, the Joint Commenters/NRDC/Keystone Energy Efficiency Alliance (KEEA) continue to assert that including O&M benefits such as reduced fossil fuel or water costs will help ensure that the 2016 TRC Test accurately reflects the real benefits consumers are seeing. These parties are correct in asserting that including fossil fuel and water savings in the TRC Test is more consistent with the Commission's inclusion of other quantifiable cost savings, such as O&M savings.

The Joint Commenters/NRDC/KEEA further assert that the TRC methodology should be consistent with the methodology used in the Market Potential Study so that benefits are not overstated or understated. They maintain that including these other benefits will not affect the market potential. The inclusion of these savings would merely show the real impact the Act 129 program has had on consumers.<sup>2</sup> The parties are correct in asserting that revising this TRC protocol will not diminish the energy efficiency (EE) potential, but may enhance the cost effectiveness of certain comprehensive programs, consistent with the Commission's stated objectives.

Comments have also demonstrated that inclusion of water and fossil fuel and O&M savings is consistent with practices in other states. Based on a 2011 survey, twelve states include some form of non-energy benefits. Seven of those states include water and fuel savings. Some of these states use a percentage-based adder

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<sup>1</sup> Penn Future, the Clean Air Council, the Environmental Defense Council, and the Sierra Club.

<sup>2</sup> Joint Commenters/NRDC/KEEA Reply Comments at 2-3.

to account for non-energy benefits, usually amounting to 10 percent. Adders are designed to capture or internalize such externalities. Joint Commenters/NRDC/KEEA posit that a 10% adder would be reasonable for the 2016 TRC Test.<sup>3</sup> While we are not supportive of a general adder, we do believe it appropriate to include all reasonably quantifiable savings associated with water and fossil fuel costs.

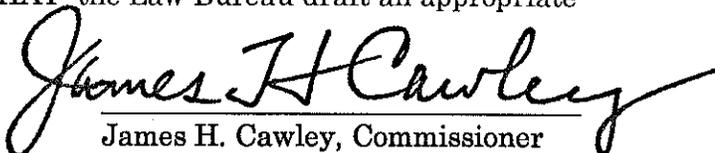
PPL believes that Act 129 does not *prohibit* the inclusion of O&M benefits, and reduced fossil fuel use or water costs, into the TRC calculations related to such measures as insulation, weatherization, or other related programs. We have agreed on the issue of O&M costs. We already permit the inclusion of O&M savings in the TRC calculations as an offset to plan measure costs. Joint commenters noted that Act 129 does not define "monetary costs", so whether or not reasonably monetized fossil fuel and water costs associated with an efficiency measure are contrary to statutory language is a matter of interpretation. For these reasons, we support the inclusion of fossil fuel and water cost savings in the TRC Test, in addition to our current O&M cost savings related to energy efficiency measures. This inclusion, however, does not impact the electricity reduction measurement associated with these measures. It only improves the accuracy of the TRC calculation.

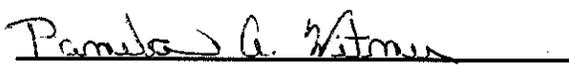
However, PPL argues further that such benefits may be difficult to measure. In response to this concern, the TRC should be modified to include such benefits to the extent reasonably quantifiable. It should be noted that increased operating fuel cost *expense* is already factored into fuel switching TRC protocols, so the reflection of fuel cost *benefits* should not be unreasonably difficult to estimate.

Lastly, Duquesne asserts that the cost effectiveness of Direct Load Control (DLC) Demand Response (DR) programs should not be marginalized due to the uncertainties of future Commission decisions. An EE measure with a multi-year life does not have its benefit streams truncated so that it only accounts for benefits that accrue within the current authorized performance period. The Commission should ensure equitable treatment of both EE and DR programs and allow multi-year lives for DR. Moreover, as demonstrated by PECO and PPL, once the infrastructure is built, DLC DR programs are effectively competitive, since the majority of measure costs are sunk, thus enhancing the TRC of these measures after year 1. Termination of these measures at the end of Phase III is not supported by the more fundamental economics of these measures.

**THEREFORE, WE MOVE THAT** the Law Bureau draft an appropriate Order consistent with this Motion.

DATE: June 11, 2015

  
James H. Cawley, Commissioner

  
Pamela A. Witmer, Commissioner

<sup>3</sup> Joint Commenters/NRDC/KEEA Reply Comments at 3-4.