January 4, 2016

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Petition of Duquesne Light Company for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan
Docket No. M-2015-2515375

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate’s Comments in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

[Signature]
Lauren M. Burge
Assistant Consumer Advocate
PA Attorney I.D. # 311570

Enclosures
cc: Honorable Katrina L. Dunderdale, ALJ
    Certificate of Service
    214855
BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION


__________________________________________

COMMENTS OF THE
OFFICE OF CONSUMER ADVOCATE

Lauren M. Burge
Assistant Consumer Advocate
PA Attorney I.D. # 311570
E-Mail: L.Burge@paoca.org

Darryl Lawrence
Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Counsel for:
Tanya J. McCloskey
Acting 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

Dated: January 4, 2016
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I. INTRODUCTION

The Office of Consumer Advocate (OCA) is filing these Comments in accordance with the Notice in the Pennsylvania Bulletin published on December 12, 2015. 45 Pa.B. 7078. This filing is in response to the Petition of Duquesne Light Company (Duquesne or the Company) for Approval of its Energy Efficiency and Conservation (EE&C) Phase III Plan. A Prehearing Conference is scheduled for January 6, 2016 before Administrative Law Judge Katrina L. Dunderdale. At this time, the OCA anticipates that it will serve the written testimony of Stacy Sherwood\(^1\) and Roger Colton\(^2\) in this proceeding. The OCA requests that these Comments be read and considered in conjunction with the testimony of its expert witnesses.

A. Background


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\(^1\) Ms. Sherwood is an Economist at Exeter Associates, Inc. Ms. Sherwood previously served as a Staff member of the Maryland Public Service Commission, where she reviewed filings regarding the 2012 – 2014 and 2015 – 2017 energy efficiency and demand response (EE & DR) plans for Baltimore Gas and Electric, Delmarva Power and Light Company, Potomac Edison, Potomac Electric Power Company, the Southern Maryland Electric Cooperative, and the Maryland Department of Housing and Community Development (DHCD). Ms. Sherwood filed comments and presented before the MD PSC regarding the 2012 – 2014 EE & DR plans for Potomac Electric Power Company and 2015 – 2017 EE & DR plans for the five utilities and DHCD. Additionally, Ms. Sherwood reviewed plan progress and made programmatic recommendations on a semi-annual basis.

\(^2\) Roger D. Colton is a principal in the firm of Fisher, Sheehan & Colton, Public Finance and General Economics. Mr. Colton provides technical assistance to a variety of public utilities, state agencies and consumer organizations on rate and customer service issues for telephone, water/sewer, natural gas and electric utilities. Mr. Colton’s work focuses on low-income energy issues, and he has testified and published extensively in this area.

On June 19, 2015, the Commission entered its Phase III Implementation Order, adopting EDC-specific targets for reducing energy consumption for the Phase III EE&C Program term (June 1, 2016 - May 31, 2021). Energy Efficiency and Conservation Program Implementation Order, Docket No. M-2014-2424864 (Order entered June 19, 2015) (Phase III Implementation Order). Duquesne’s Phase III consumption reduction target was set at 3.1% of its expected sales for the June 1, 2009 through May 31, 2010 period. The Commission also directed that Duquesne’s Phase III Plan: (1) achieve 3.5% of its overall consumption reductions come from the Government/Non-Profit/Educational (GNE) sector; (2) achieve a minimum of 5.5% of its consumption reductions from programs exclusively directed at low-income customers; (3) offer at least one comprehensive measure for residential customers and at least one comprehensive measure for nonresidential customers; and (4) achieve a total overall gross verified demand reduction of at least 42 MW. Id. at 35, 61, 68-70, 74-76. As in Phase I and Phase II, the total resource cost (TRC) test will continue to be used to evaluate each EDC’s Plan. Id. at 97-98.

The Phase III Implementation Order also detailed the Phase III Plan approval process. According to the Order, the EDCs were to file their proposed Plans and the Commission was to

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3 The Phase III Implementation Order requires that the Phase III Plans are designed to achieve at least 15% of the consumption reduction target each year of Phase III. Phase III Implementation Order at 59. Duquesne’s Plan was designed to achieve this yearly consumption reduction target. See Plan at 8-9.
publish those Plans in the *Pennsylvania Bulletin*. **Phase III Implementation Order** at 89-91. In compliance with the **Phase III Implementation Order**, Duquesne filed its Plan with the Commission on November 30, 2015. Duquesne’s Plan was published in the *Pennsylvania Bulletin* on December 12, 2015. 45 Pa.B. 7078. The notice required that interested parties file comments on the Phase III Plan within 20 days of publication. The Commission is to approve or reject all or part of the Plan at a Public Meeting within 120 days of the filing. **Phase III Implementation Order** at 89-91.

The OCA provides the following Comments on Duquesne’s Plan in accordance with the Commission’s **Phase III Implementation Order**.

**B. The Stakeholder Process**

In preparation for the Phase III EE&C program, Duquesne held a series of stakeholder meetings. The purpose of the meetings was to solicit input regarding past successes and aspects of the program that can be improved upon or modified in future phases. The OCA participated in these meetings. In the OCA’s view, the stakeholder process encouraged a two-way dialogue and allowed for a better informed process for both the participants and the Company. The OCA notes that the **Phase III Implementation Order** requires the EDCs to continue the stakeholder process throughout the Phase III period. **Phase III Implementation Order** at 15.

**C. Legal Standards**

A number of standards are considered by the Commission in determining whether an EDC’s EE&C Plan should be approved. 66 Pa.C.S. § 2806.1(a). For example, Act 129 states that each Plan must include a variety of energy efficiency and conservation measures and that such measures must be provided equitably to all classes of customers. 66 Pa.C.S. § 2806.1(a)(5). Further, cost recovery must be structured in such a manner to ensure that approved measures are
paid for by the same customer class that will receive the direct benefits of those measures. *Id.* at § 2806.1(a)(11).

Act 129 also specifically requires each EDC to demonstrate, *inter alia,* that its Plan is both cost effective using the TRC test and provides a diverse cross section of alternatives for customers of all rate classes. *See* 66 Pa.C.S. § 2806.1(b)(1)(i)(I). In the Act, a TRC test is defined as:

[A] standard test that is met if, over the effective life of each plan not to exceed 15 years, the net present value of the avoided monetary cost of supplying electricity is greater than the net present value of the monetary cost of energy efficiency conservation measures.


Finally, as was discussed above, in its *Phase III Implementation Order,* the Commission directed that each Company’s Plan be developed to include a series of specific carve-outs. The carve-outs are as follows: (1) achieve 3.5% of its overall consumption reductions from the Government/ Non-Profit/ Educational (GNE) sector; (2) achieve a minimum of 5.5% of its consumption reductions from programs exclusively directed at low-income customers; (3) offer at least one comprehensive measure for residential customers and at least one comprehensive measure for nonresidential customers; and (4) achieve a total overall gross verified demand reduction of at least 42 MW. *Id.* at 35, 61, 68-70, 74-76. Additionally, the Plans must be designed to achieve at least 15% of the EDC’s consumption reduction target each year of Phase III. *Phase III Implementation Order* at 59. The OCA submits that, in addition to reviewing the Company’s proposed Phase III Plan for its potential to achieve the 3.1% consumption reduction
target, Duquesne’s Phase III Plan must also be reviewed to ensure that it is designed to meet all of aforementioned goals and targets in a cost-effective manner.

D. Summary of Duquesne’s Plan

On November 30, 2015, Duquesne filed its Petition and Phase III EE&C Plan with the Commission. The Phase III Plan is designed to reduce total energy consumption by 440,916 MWh and reduce total demand by 42 MW for the five-year Phase III period from June 1, 2016 through May 31, 2021. Petition at 4. To achieve this goal, the Company proposed a Plan consisting of fifteen energy efficiency programs, five of which are new programs and ten of which were components of its Phase II Plan. The new programs were added based on an analysis of and experience with the Phase I and Phase II Plans. Petition at 8. Specifically, the Company has proposed the following six programs for the residential class: (1) the Residential Energy Efficiency Rebate Program (REEP); (2) the Residential Whole House Retrofit Program (WHRP); (3) Residential Home Energy Reports (HER); (4) the Residential Appliance Recycling Program (RARP); (5) the Savings by Design New Construction Program (SBD); and (6) the Residential Low Income Energy Efficiency Program (LIEEP). Petition at 7. In addition to the programs for the residential class, Duquesne proposes to continue its Multifamily Housing Retrofit Program, which is administered as part of its Small Commercial and Industrial sector programs. Id.

Duquesne’s portfolio of programs is designed to provide customer benefits while also meeting the energy saving goals set forth in the Phase III Implementation Order within the designated expenditure cap of two percent (2%) of 2006 annual revenues (approximately $19.545 million) for each year of the five year plan. Petition at 5. The Plan has budgeted expenditures totaling $97,652,861 which are broken down by class as follows: Residential
energy-efficiency - $26,587,748; Commercial energy efficiency - $46,070,976; and Industrial energy efficiency - $15,254,418. Petition at 15; Duquesne St. 1 at 22. Additionally, budgeted expenditures for demand response programs are projected at $9,739,719. Duquesne St. 1 at 22.

Duquesne will recover its costs through an Energy Efficiency and Conservation Surcharge (EEC Surcharge). Duquesne proposes to continue to use its current EEC Phase II Surcharge, except that the reconciliation period for Phase III will run from April 1 to March 31 of a given plan year, rather than from June 1 to May 31 as in the current EEC Phase II Surcharge. Duquesne St. 2 at 8-9. The EEC Surcharge is reconcilable and non-bypassable. Duquesne St. 2 at 6-7. Initially, the EEC Surcharge rates for each class are projected to be as follows:

<table>
<thead>
<tr>
<th>Class</th>
<th>Projected Rate*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>0.20 cents/kWh</td>
</tr>
<tr>
<td>Small &amp; Medium Commercial</td>
<td>0.07 cents/kWh</td>
</tr>
<tr>
<td>Small &amp; Medium Industrial</td>
<td>0.40 cents/kWh</td>
</tr>
<tr>
<td>Large Commercial</td>
<td>$188.34/Month</td>
</tr>
<tr>
<td>(Fixed)</td>
<td>$0.37/kW</td>
</tr>
<tr>
<td>(Variable)</td>
<td></td>
</tr>
<tr>
<td>Large Industrial</td>
<td>$492.79/Month</td>
</tr>
<tr>
<td>(Fixed)</td>
<td>$0.38/kW</td>
</tr>
<tr>
<td>(Variable)</td>
<td></td>
</tr>
</tbody>
</table>

*Rate Information from Duquesne St. 2, Exh. WVP-4.4

Phase II revenues and expenses will be tracked and reconciled separately from Phase III costs and revenues. Petition at 17. Any Phase II costs that remain after Phase II ends on May 31, 2016 will be included and reconciled as separate line items in the April 1, 2016 through March 31, 2017 reconciliation period for Phase III. Id.

II. PRELIMINARY COMMENTS ON THE PLAN AND PROGRAMS

A. Phase III Residential Customer Energy Efficiency Programs

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4 The fixed and variable charges for the large commercial and industrial classes are a result of Duquesne’s Phase I Order in which the Commission directed that the administrative costs of the EE&C programs for these classes should be collected through a fixed charge and the various program incentive charges should be collected through a variable demand charge based on a customer’s Peak Load Contribution.
1. **Residential Energy Efficiency Rebate Program (REEP)**

   This program encourages customers to make an energy efficient choice when purchasing household appliances and equipment. The program provides educational material on energy efficient options and offers rebate incentives. The educational material and rebates are provided in conjunction with Duquesne’s online home energy audit. The audit asks customers questions about home energy use and provides immediate recommendations. Customers see a menu of approved energy efficiency measures and rebate amounts. The rebates will reduce the cost of replacing outdated and inefficient appliances and equipment. Plan at 24. The program rebates (incentives) are designed to offset approximately one-third of the incremental cost of installing energy efficient appliances or equipment. Id. at 25. Duquesne projects a TRC score of 1.6 for REEP.

   With respect to REEP, the OCA will review issues including, but not limited to, (1) whether the proposed measures are reasonably calculated to achieve the proposed savings; (2) whether the proposed measures are cost-effective; and (3) whether the Plan reflects changing lighting baselines and strategies for transitioning to new lighting technologies and/or other strategies.

2. **Residential Whole House Retrofit Program (WHRP)**

   This program provides access to a comprehensive home energy audit, installation of conservation measures and rebates for a range of eligible measures. The objective of the program is to educate customers about the efficiency of their home as a system and to encourage more comprehensive retrofit activity than is done in response to typical equipment rebates. The program provides up to a $250 credit for installation of audit recommended measures, and direct
installation measures are provided at no cost. Duquesne projects a TRC score of 1.4 for this program. Plan at 34-37.

The OCA’s review of this program will examine: (1) whether the proposed measures are reasonably calculated to achieve the proposed savings; (2) whether the proposed measures are cost-effective; and (3) whether there is any potential double-counting of savings as a result of overlapping measures with other residential programs.

3. Residential Home Energy Reports (HER)

This program targets more than 34,000 high-use residential customers in the Duquesne service territory. These households are mailed home energy use reports (HER) which compare the customer’s energy use over the last two months with 100 of their peers, including: (1) the most efficient, top 20% of the peer group; (2) the HER recipient; and (3) the entire peer group. The objective is to educate these high use customers on electricity consumption and to change their household behaviors leading to less consumption. Duquesne states that HERs generate verifiable savings between 1.5% and 3.5% of total home energy use. The Company projects a TRC score of 1.4 for this program. Plan at 32-34.

The OCA will review issues including, but not limited to: (1) whether the proposed measures are reasonably calculated to achieve the proposed savings; (2) whether the proposed measures are cost-effective; (3) whether the proposed savings can be maintained over a period of time; and (4) whether there is any potential double-counting of savings as a result of overlapping measures with other residential programs.

4. Residential Appliance Recycling Program (RARP)

This program encourages residential customers to turn in their older operating refrigerators and freezers to be recycled. Participating customers receive a check for up to $50
and the old refrigerator or freezer is removed and safely recycled. Duquesne estimates that approximately 42,000 households out of 528,000 households in its service territory operate more than one refrigerator or freezer. Duquesne projects recycling in excess of 8,600 units during Phase III. Duquesne has calculated a TRC score of 2.5 for this program.

The OCA will review issues including, but not limited to: (1) whether the appropriate appliances have been included in this program; (2) whether the proposed incentive rebate levels and methods are reasonable and appropriate; (3) whether the proposed measure is reasonably calculated to achieve the proposed savings levels; and (4) whether the proposed measure is cost-effective.

5. Savings by Design Residential New Construction Program (SBD)

This program, which is new for Phase III, targets residential architects, builders and contractors in order to improve efficiency of newly constructed homes. All newly constructed, individually metered, single-family electrically heated homes in the Company’s service territory using ENERGY STAR air source or ground source heat pumps as their primary source of heat are eligible for this program. The program leverages the U.S. Environmental Protection Agency’s ENERGY STAR Home certification program, and provides education and rebates to inform and encourage architects, builders, and home buyers on the benefits of ENERGY STAR homes as well as requirements for gaining certification. Duquesne projects a TRC score of 0.9 for this program. Plan at 37-40.

The OCA’s review of this program will examine: (1) whether the proposed measures are reasonably calculated to achieve the proposed savings; (2) whether the proposed measures are cost-effective; and (3) whether there is any potential double-counting of savings as a result of overlapping measures with other residential programs.
6. Residential Low Income Energy Efficiency Program (LIEEP)

Duquesne's low income program combines other residential programs that are tailored for low income customers and that will work together to enable the Company to meet the requirement that at least 5.5% of its consumption reduction comes from the low income sector. The program is implemented through a portfolio of programs comprised of the Multifamily Housing Retrofit Program, the Home Energy Reporting Program, and the Whole House Retrofit Program. The purpose of the program is to increase customers' comfort while reducing energy consumption, costs and economic burden. The Company projects a TRC score of 0.9 for this program. Plan at 40-46. Duquesne's projected savings from LIEEP are 16,550,885 kWh.

The OCA will review issues including, but not limited to: (1) whether LIEEP savings are consistent with the Phase III Implementation Order target; (2) whether the proposed measures are reasonably calculated to achieve the proposed savings; and (3) whether the proposed measures are cost-effective.

B. Multifamily Housing Retrofit Program

As noted above, Duquesne includes this program under its Small Commercial/Industrial Sector programs. More than 26% of the residential building stock in Duquesne's service territory is multifamily housing. The program targets multifamily housing units for low income individuals. The Company notes that the majority of such buildings in its territory are served under a commercial tariff because buildings are master-metered. The services provided under this program include energy efficiency audits, technical assistance for measure-level project review and bundling, contractor negotiation and equipment bulk purchasing. Assistance will be provided in arranging financing for approved projects. Duquesne projects a TRC score of 1.9 for this program. Plan at 58-60.
The OCA will review issues including, but not limited to: (1) whether the scope and focus of the program is appropriate given the characteristics of multifamily housing in the Company’s service territory; (2) whether the program design addresses energy efficiency barriers that are specific to this market segment; (3) whether there is coordination in delivery with LIEEP and other affordable housing programs; (4) whether there are gaps in program measures, which, if closed, would improve program performance; and (5) whether allocation of costs and savings is clear.

C. Phase III Residential Demand Response Program

The Demand Management Program (DMP) is designed to reduce peak loads defined as four hour periods in which the PJM day-ahead peak hour forecast is greater than 96% of its summer peak demand forecast. For residential customers, the program will employ a direct load control (DLC) component. Duquesne is evaluating options such as “bring your own device (BYOD)” and/or using the existing installed base of DLC controllers from Act 129 Phase I as an additional source of potential participation. Participating customer are projected to receive incentive payments, or bill credits, of $28 per summer season. Duquesne projects a TRC score of 2.1 for this program. Plan at 75-79.

The OCA will review issues including, but not limited to: (1) whether the incentive level is appropriate to encourage customer participation; (2) whether the use of Phase I devices is appropriate and cost-effective in this program; and (3) whether the BYOD option is reasonable.

D. Miscellaneous Issues

1. Total Plan Spending and Savings

In compliance with the requirements of the Phase III Implementation Order, Duquesne proposes spending approximately $97.653 million in Phase III to achieve a total of 449,734,320
kWh of consumption reduction, as compared to Duquesne’s required consumption reduction target of 440,916,000 kWh. Duquesne also projects 44.1 MW of demand reduction, as compared to its required demand reduction target of 42 MW. The OCA will review the total Plan spending to ensure that it complies with the mandated spending limit, and that the forecasted Plan costs are reasonable in relation to the incentives provided.

2. Allocation of Expenditures and Savings by Customer Class

Duquesne’s proposed percentage of expenditures and savings by customer class are:

<table>
<thead>
<tr>
<th>Class</th>
<th>Percentage Spending</th>
<th>Percentage Savings (Portfolio)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>28.7%</td>
<td>27.5% - Excluding low income 3.8% - Low income only</td>
</tr>
<tr>
<td>C&amp;I Small</td>
<td>20.1%</td>
<td>16.9%</td>
</tr>
<tr>
<td>C&amp;I Large</td>
<td>40.4%</td>
<td>41.2%</td>
</tr>
<tr>
<td>Governmental/Educational/Nonprofit</td>
<td>10.8%</td>
<td>12.7%</td>
</tr>
</tbody>
</table>

Source: Table 4, Plan at 143 and Table 5, Plan at 146.

The OCA will evaluate this proposal to ensure an equitable balance of program spending and savings among the customer classes.
III. CONCLUSION

The OCA appreciates this opportunity to provide these Comments and the testimony of its expert witnesses, Stacy Sherwood and Roger Colton, on this important topic.

Respectfully Submitted,

Lauren M. Burge
Assistant Consumer Advocate
PA Attorney I.D. # 311570
E-Mail: LBBurge@paoca.org

Darryl Lawrence
Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Counsel for:
Tanya J. McCloskey
Acting 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

January 4, 2016

214975
CERTIFICATE OF SERVICE


I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate’s Comments, 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 4th day of January 2016.

SERVICE BY E-MAIL and INTEROFFICE MAIL

Johnnie Simms, Esq.
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

SERVICE BY E-MAIL and FIRST CLASS MAIL

Michael A. Gruin, Esq.
Stevens & Lee, P.C.
17 North Second Street, 16th Fl.
Harrisburg, PA 17101

Linda R. Evers, Esq.
Stevens & Lee, P.C.
111 N. Sixth Street
P.O. Box 679
Reading, PA 19601

Robert Hooland, Esq.
Assistant General Counsel
Duquesne Light Company
411 Seventh Avenue
Pittsburgh, PA 15219

Elizabeth R. Triscari, Esq.
Office of Small Business Advocate
Commerce Building, Suite 202
300 North Second Street
Harrisburg, PA 17101

Patrick Cicero, Esq.
Harry S. Geller, Esq.
Pa. Utility Law Project
118 Locust Street
Harrisburg, PA 17101

Theodore S. Robinson, Esq.
Citizen Power Inc.
2121 Murray Avenue
Pittsburgh, PA 15217
Lauren M. Burge
Assistant Consumer Advocate
PA Attorney I.D. # 311570
E-Mail: LBurge@paoca.org
Darryl A. Lawrence
Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@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
214856