BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Petition of PPL Electric Utilities Corporation	:	
for Approval of an Energy Efficiency	:	Docket No. M-2009-2093216
and Conservation Plan	:	

COMMENTS OF
CITIZENS FOR PENNSYLVANIA'S FUTURE (PENNFUTURE)

1 INTRODUCTION

PennFuture is a statewide public interest membership organization, working to enhance Pennsylvania's environment and economy, with offices in Harrisburg, West Chester, Philadelphia and Pittsburgh. We appreciate the opportunity to provide comments on PPL Electric Utilities Corporation's (PPL) Petition for Approval of an Energy Efficiency and Conservation Plan, Docket No. M-2009-2093216. These Comments were prepared by Thomas J. Tuffey, the Director of PennFuture's Center for Energy, Enterprise, and the Environment, and Courtney Lane, Policy Analyst at PennFuture's Center for Energy Enterprise, and the Environment.

PennFuture has been a constant supporter of energy efficiency and demand side resources in Pennsylvania. PennFuture was involved in the Commission's first Demand Side Response Working Group in 2004 and then again in 2006. PennFuture was also instrumental in advocating for the passage of House Bill 2200, now Act 129 and has followed it through to the implementation process at the Commission. PennFuture has been actively involved in the Act 129 rulemaking process, submitting comments on the implementation of the Act 129 Energy Efficiency and Conservation Program and EDC Plans, Docket No. M-2008-2069887 on November 3, 2008, December 8, 2008, and reply comments filed on December 19, 2008. PennFuture also testified on the implementation of Act 129 at the Commission's November 18, 2008 en banc Hearing on alternative energy resources, energy conservation and efficiency, and demand side response (DSR) tools and programs to assist consumers. Docket No. M-00061984.

In addition to its involvement in the rulemaking process, PennFuture has attended all of PPL's Act 129 stakeholder meetings to offer feedback and recommendations on the development of its energy conservation and demand response plans.

PennFuture would like to commend PPL for its efforts to include a wide variety of stakeholders in the development of its Act 129 plan. PennFuture has reviewed PPL's plan and believes it will accomplish the goals set forth by Act 129 and create a strong base for a thriving energy efficiency and demand side market in Pennsylvania. While PennFuture believes the PPL plan is an appropriate starting point, we offer these comments suggesting additions to PPL's plan which will help ensure that PPL makes continuous process improvements to its plan. Additionally, we present a process to determine the appropriate share of electricity and demand savings received by PPL when outside funds are used by a customer, ensuring an equitable outcome to both PPL and the ratepayer.

2. REQUIREMENT FOR CONTINUOUS PROCESS IMPROVEMENTS

In Sections 5.1.1 and 6.2, PPL sets forth its plans for reporting on its Act 129 programs. These reports include: quarterly reports; annual reports to the Commission; savings reconciliation reports; and market and process evaluations.

In addition to these planned reports, PennFuture recommends that guidelines be established to require continued collaboration between electric distribution companies (EDCs) to coordinate their Act 129 programs and to ensure that PPL is keeping up with other sources of funding in order to incent more energy efficiency and conservation.

a) EDC Coordination

PennFuture is aware that due to differences in building stock between certain EDCs, the same set of programs may not be appropriate in every service territory. However, where there are common programs between EDCs it is important that these programs share standardized eligibility thresholds (e.g. SEER 15 for AC) and incentive levels statewide. This type of standardization makes it easier for equipment providers and retailers to work with their distribution chains to supply energy efficiency equipment used in programs if there is one statewide program and one set of requirements.

Based on discussions with program administrators in other states, representatives from the California Public Utility Commission, the American Council for an Energy-Efficient Economy (ACEEE) and Northeast Energy Efficiency Partnerships, it is clear that energy efficiency and conservation initiatives benefit from consistency across EDC programs. Collaboration between EDCs in developing programs is beneficial in that it reduces program costs for energy efficiency through economies of scale, avoids unnecessary program overlap that may cause confusion among customers and contractors, improves transparency, and increases the effectiveness of marketing and branding.

For example, statewide and regional campaigns, including "Flex Your Power" in California, "Cool Choice" in New England and New Jersey, and "Change a Light" at the national level, have been successful in part due to their consistent messaging and branding.

California provides an example of what can occur when EDCs do not collaborate and develop standardized programs. When California originally mandated its energy conservation programs, the utilities were required to plan and implement their portfolio of programs and did not collaborate with one another. Within a short time, certain customer segments (e.g., business and industry) and those that provide certain energy efficiency technologies and services (e.g., manufacturers, distributors, and builders) started asking for common program features statewide to make it easier to play in the market and programs had to be amended to create a group of core programs.

Massachusetts and Connecticut are other examples of states that have largely standardized programs, even though there are multiple utilities. In addition, states like Oregon, Vermont, and Wisconsin have a single statewide program administrator, and therefore also have standardized programs.

In Massachusetts, National Grid collaborates with NSTAR, Northeast Utilities and Western Massachusetts Electric for many of its programs. Depending on the program these utilities either submit a joint RFP and contract with a single service provider, or each utility will submit its own RFP and bid out for conservation service providers separately, but will make sure that branding and incentive levels are coordinated.

While statewide programs are not feasible for every PPL program, two programs that have shown to benefit from statewide implementation are residential new construction and residential retrofit programs. These programs engage builders, developers, architects, contractors, and trade allies that work in multiple service territories and even in multiple states. Marketing these programs occurs at the national, state, local, and individual levels. When delivering these programs, it is important that they have consistent standards and consumer information. Marketing to the building community tends to occur at home/trade shows and builder conferences that are often attended by contractors and builders from multiple regions of the state. Consumer marketing is by market regions that transcend utility service regions. Having inconsistent or multiple new construction and residential retrofit programs across the state would likely prove ineffective and confuse the marketplace. A single primary program contractor greatly eases coordination and delivery of services and facilitates development of strong relationships with builders.

Ideally, we recommend that PPL work with all EDCs statewide and at a minimum work with PECO towards contestant branding for these programs and coordinate training and educational efforts. Based on review of both PPL and PECO’s proposed Act 129 plans, both contain similar residential retrofit programs (PPL’s Residential Energy Assessment & Weatherization program and PECO’s Whole Home Performance) that could be branded as one program and eventually offered throughout the state with the remaining EDCs.

Additionally, both plans state that auditor and contractor training will be part of the program; however, there is no mention of the potential to offer joint trainings with one another or with Keystone HELP, which currently offers BPI and RESNET trainings throughout the state. Levering this existing resource and working between EDCs will help maintain contestant training and messaging and increase the number of qualified professionals.

The same can be said for both PPL and PECO’s new home construction programs, PPL’s ENERGY STAR® New Homes program and PECO’s Residential New Construction program. While PPL has a straight rebate if the home achieves ENERGY STAR certification through an accredited Home Energy Rating System (HERS) rating, PECO is using a tiered rebate structure based on the number of ENERGY STAR measures installed. Using the ENERGY STAR® New Homes program as a statewide brand for this program with one set of requirements and rebate levels would avoid confusion amongst consumers and trade allies, including builders, developers, and construction professionals.

This would mirror what is done in Massachusetts where there is a successful new construction program called: Massachusetts New Homes with ENERGY STAR. Each utility in the state contributes funds to the program and ICF International won the bid to administer the program on behalf of the utilities. This joint partnership enables customers across the state to visit one site to gain information on the program and download applications.

In order to help facilitate moving towards coordinated Act 129 programs, PennFuture recommends that all EDCs complying with Act 129 meet quarterly in the first year, and annually each year thereafter to report on the status of programs and the potential for statewide programs or consistent incentives and branding. These meeting should also include reports from each EDC regarding which of its programs are successful or underperforming and where improvements can be made. A report on these meetings and progress made towards collaboration should be filed with the Commission annually and made available for public comment.

b) Leveraging of Funds

PPL's states in its plan under Section 9.2.3 the intention to inform its customers of available third-party financial resources and rebates including: Keystone HELP, Pennsylvania Housing Finance Agency, the American Recovery and Reinvestment Act (ARRA), and the PA Sunshine Program.

It is critical that PPL maintain an in depth and up-to-date knowledge of such incentives throughout the entire five-year course of its plan and thereafter. Programs and new funding opportunities change almost monthly and there are many resources PPL can turn to in order to stay apprised of the changing environment. PPL should be meeting quarterly with the Department of Environmental Protection, the Pennsylvania Treasury Department, and the Department of Community and Economic Development (DCED) to learn about new funding programs and how PPL can leverage them to enhance their Act 129 programs. PPL should be required to submit as part of its annual plan to the Commission a current list of additional state and federal funds or programs it has presented to its customers.

c) Provide Access to Additional Capital

The financial incentives proposed in PPL's Act 129 plan do not address a vulnerable class of residential customers. Residential customer, especially those whose incomes are between 150% of the federal poverty level and 80% of median income, may not be able to participate in the PPL rebate programs since the upfront cost of such energy efficiency measures will still be too high. These residents will need access to additional financing but may not have adequate credit to borrow funds though traditional means.

This is a common problem and several new models are emerging to address this issue. One popular model is allowing for the cost of energy efficiency measures to be paid back by the subsequent energy savings. This can be accomplished in several ways. On bill financing, such as the Pay As You Save (PAYS®) program currently in place in New Hampshire, allows the loan made for an energy efficiency improvement to be recouped gradually over time in the customer's monthly energy bill. Additionally, the Berkley Model, which allows energy efficiency measures to be paid back through a special assessment on property taxes, is becoming more well known with programs up in running in Boulder, Colorado; Annapolis, Maryland; and Sonoma County, Palm Desert, San Diego, and San Francisco, California. Additionally, some type of on-bill financing or property tax assessment model is also pending in Arizona, New Mexico, Texas, Virginia, Vermont, and Washington. The current drawback to these innovative models is the lack of awareness in the lending community. This sector needs to be educated in order to properly underwrite the loan application. There are several models, including Keystone HELP at the residential level, where the Pennsylvania Treasury Department and the Department of Environmental Protection provide interest rate write downs and loss reserves, and a private party provides underwriting, capital, and administration.

We do not expect PPL to provide the capital for such programs but we do expect PPL to provide the leadership to attract sources of capital, create channels to its customers, and possibly allow for a collection mechanism.

Specifically we ask that PPL engage in the following:

1. PPL should actively solicit a source of capital to institute a type of financing program listed above and report on this progress quarterly.

2. PPL should prepare a position paper outlining a desired program and criteria including: current residential programs that could allow for a type of loan repayment; description and size of the market addressed by such programs; potential channels to that market via bill stuffers, Act 129 education programs and partners, etc. PennFuture and selected stakeholders, at PPL discretion, would be willing to participate in its development.

3. PPL should host a day long workshop in the first quarter of 2010 to solicit comments from expert parties on the position paper and offer suggestions for funding sources. Invited participants should include: PennFuture, Pennsylvania Treasury Department, Department of Environmental Protection, representative from PAYS®, representative from a city implementing the "Berkley Model", the Clinton Foundation, PNC Bank, Allentown Financial Corporation, and any other community banking and finance experts.

4. Based upon the input of this workshop, PPL should prepare a Request for Proposals for a preferred banking partner(s) and host a discussion session for interested parties in the second quarter of 2010. Proposals should be due in the third quarter of 2010 with a start date of the first quarter 2011.

d) Moving the Market Forward

We understand that PPL is planning to conduct market and process evaluations to assess the effectiveness of their programs and to asses whether programs need to be adjusted. We urge PPL to use these evaluations to also examine whether the initial programs still fit within the marketplace. Currently PPL's plan goes after "low hanging fruit" such as compact fluorescents and appliance recycling. However, as the energy efficiency market matures, such programs may no longer be effective. There must be processes in place assuring that a shift occurs to move the bulk of the plan away from measures like lighting to programs focusing more on whole building and new construction programs.

3. ALLOCATION OF SAVINGS FROM JOINTLY FUNDED MEAUSURES

There has been continued dispute regarding the percentage of electricity and demand savings an EDC can claim from an installed measure if it has not made 100 percent of the investment in that measure. In order to address this issue, PennFuture offers a compromise that will serve both PPL and the ratepayers.

PennFuture does not agree that is appropriate for an EDC to receive 100 percent of the savings if it does not make 100 percent of the investment. Ideally, PennFuture agrees with other intervenors in this case that EDCs should only be allowed to claim credit for savings prorated on the amount of dollars invested, or for installed measures that a customer would not have installed without EDC investments. However, PennFuture understands that determining the pro-rated share for every investment could increase measurement and verification, reporting, and administrative costs and would therefore take away from the amount of funding allocated to actual incentives.

Therefore, PennFuture recommends for EDC programs such as CFL, appliance, and equipment incentives where (i) the customer is purchasing measures from a retail chain, and (ii) such measures are measured and verified by deemed savings, the EDC should be allowed to receive 100 percent of those electricity and demand savings. It would present a logistical nightmare for the EDC or the CSP to be tasked with determining what other incentives a customer applied to its purchase for such programs.

However, for programs where a CSP or downstream contractor is working hands-on with a customer and therefore can track and verify what other funds the customer is utilizing to install a measure, it is appropriate to require the EDC to calculate the appropriate pro-rated share of those savings based on the level of EDC funding.

Respectfully submitted

________/s/_________________________

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PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Conservation Plan	:	

CERTIFICATE OF SERVICE

I certify that I am serving a copy of the Petition to Intervene and Protest of Citizens for Pennsylvania's Future upon the persons addressed below, by email and first-class U.S. Mail:

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