

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**  
**Harrisburg, Pennsylvania 17105-3265**

**Re: Implementation of Act 129  
of 2008 – Total Resource Cost  
(TRC) Test 2011 Revisions**

**Public Meeting: July 28, 2011  
2108601-LAW  
Docket M-2009-2108601**

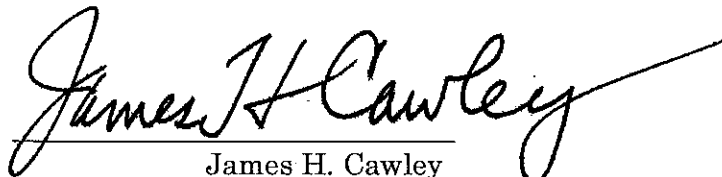
**STATEMENT OF COMMISSIONER CAWLEY**

Before us is the final order regarding the refinements to the 2009 PA Total Resource Cost (TRC) test for use through May 31, 2013, and to a lesser extent, on the use of the TRC test after June 1, 2013. The TRC test is used to quantify whether or not a particular program or measure is cost effective. This order provides guidance on a number of issues regarding how to apply the TRC test to demand response (DR) programs.

One part of this order clarifies that an electric distribution company (EDC) and PJM payments to customers and/or conservation service providers (CSPs) are to be nullified by offsetting customer costs, with the assumption that such EDC and PJM payments are equal to such unspecified customer costs. This assumption is somewhat conservative, and I encourage the parties to review these assumptions going forward. It is not inconceivable that many customers view these incentive payments as such, and have no real offsetting opportunity costs or only fractional opportunity costs. I therefore encourage parties to review the body of literature in the industry to better understand the nature and magnitude of these unspecified customer costs.

In the discussion analysis, the order places no value on the benefits of overall PJM market price suppression effects associated with current DR programs. This again appears to be a very conservative assumption. DR measures result in reduced demand during peak usage periods, periods when market prices are least elastic. As such, small changes in usage can have rather significant positive impacts on energy and capacity price reductions. It appears that, under this order, only the customer's avoided energy cost is captured as a benefit. For this reason, the parties are encouraged to review these assumptions carefully, and to make an effort to quantify the overall impact on price for reduced energy and capacity associated with Act 129 DR programs going forward, whether captured in regional transmission organization load forecasts, incremental auctions, base residual auctions, or overall energy markets.

July 28, 2011

  
James H. Cawley  
Commissioner