

April 17, 2012

Secretary Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

**Re: Act 129 Energy Efficiency and Conservation Program Phase Two
Docket No. M-2012-2289411**

Dear Secretary Chiavetta:

EMC Development Company, Inc. appreciates the opportunity to provide comments in response to the Act 129 Energy Efficiency and Conservation Program Phase Two under Docket No. M-2012-2289411. Our comments are limited to three matters in which we feel we have a personal interest which cannot be represented by any other party: **i) Length of second EE&C Program; ii) Transition Issues and iii) Other Act 129 Program Design Issues.**

Please do not hesitate to contact me should you wish to discuss any of the enclosed comments further.

Respectfully,



Timothy J. Seelaus
President
EMC Development Company, Inc.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Act 129 Energy Efficiency and Conservation Program Phase Two : **Docket No. M-2012-2289411**
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Comments of EMC Development Company, Inc

INTRODUCTION:

EMC Development Company, Inc. ("EMC") is a privately owned, small business which develops and invests in clean energy projects. Over the past two years, we have specifically focused on the energy efficiency sector. During that time we have partnered with 19 energy efficiency contractor companies across Pennsylvania; primarily lighting and mechanical system retrofit contractors. These 19 Pennsylvania companies are small businesses and collectively, employ approximately 500 persons who are involved with the design and installation of energy efficiency projects.

EMC is a member of the PJM Interconnection, LLC and as a member of PJM we have qualified approximately 1,650 energy efficiency ("EE") projects completed by our PA contractor partners as EE resources in the PJM RPM capacity market ("Capacity Auctions"). Bidding capacity in the market is generally only available for large-scale projects; however, working with our local PA partners we aggregate smaller projects to qualify them for participation in Capacity Auctions. We bid those projects into the Capacity Auction and provide a portion of the proceeds to the building owner and our EE contractor partners. We provide a cost effective means for these PA ratepayers who have completed energy efficiency projects to derive value in PJM's market. We believe that this business model further incents the implementation of energy efficiency projects while also creating jobs consistent with the spirit and intent of Act 129.

RESPONSES TO SPECIFIC TOPICS:

Length of second EE&C Program-

EMC advocates a five year length to Phase 2 of Act 129. We believe that the five year length will appropriately mitigate the administrative costs to the ratepayers and ensure overall efficiency with the continued successful implementation of Act 129.

Transition Issues-

EMC supports the idea of “banking” Phase 1 reductions achieved prior to the end of the Phase 1 compliance period to be used towards compliance targets for Phase 2. Such an arrangement will provide continuity to the overall program, which is inherently more efficient than a ramp-down/ramp-up approach during transition if “banking” is not allowed.

Other Act 129 Program Design Issues-

Participation in the PJM Capacity Market:

The topic of requiring the EDCs to bid Energy Efficiency (“EE”) project demand savings into the PJM Capacity market was raised during the recent stakeholder meeting. EMC strongly opposes such a notion. As previously stated in the introductory comments, EMC currently participates in the PJM capacity market on behalf of PA ratepayers implementing the energy efficiency projects. The PJM market is extremely efficient and produces a very competitive market construct. PJM business rules and processes provide a transparent framework for participation in capacity market. There are many qualified players in PJM and if there is an economically viable opportunity to participate in the market then parties will seize this opportunity. There is already significant participation within the EE sector in Capacity Auctions and there is no evidence to suggest that there is qualified EE being “left on the table”. Requiring EDCs to participate in Capacity Auctions presents a scenario that could upset an already efficient open market construct that rewards PA ratepayers implementing EE projects.

Further, because the PJM RPM capacity market is a forward market, it presents a significant business challenge for small companies like EMC to participate in the market. The costs associated with qualifying and participating EE projects in Capacity Auctions are incurred now for future revenue which can be a challenging business model from a cash flow perspective. Consequently, we have made a significant up-front investment already to qualify EE projects to participate in Capacity Auctions under the premise that we will receive future payments to offset that investment. Any notion of requiring utilities to participate in the Capacity Auctions with Act 129 projects will significantly adversely impact that investment premise and EMC’s overall business model. We believe it will have negative implications for PA ratepayers as well through lost capacity revenue directly from EMC and potentially

high capacity clearing prices from higher costs aggregators offering these resources into Capacity Auctions.

EMC² is committed to the long term success of energy efficiency. It is the most environmentally benign source of electrical capacity; and we believe its provider's (owners and contractors of energy efficiency projects) and other PA ratepayers completing EE projects should continue to be incented to provide this most environmentally desirable electrical capacity. Additionally, small businesses have been a vital economic growth engine for Pennsylvania. As a small business, we, along with our 19 other small business partners strongly advocate implementation of Phase 2 of Act 129 to continue to fuel economic growth and job creation for Pennsylvania while providing the most environmentally desirable electrical capacity.

We request the Commission consider our comments as it evaluates Phase Two of Act 129.