

Kathy J. Kolich
Senior Corporate Counsel330-384-4580
Fax: 330-384-3875**VIA FEDERAL EXPRESS**

June 29, 2012

RECEIVED

JUN 29 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Re: Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company to the 2012 Phase II of Act 129 Total Resource Cost Test - Docket No. M-2012-2300653

Dear Secretary Chiavetta:

Enclosed for filing are an original and three (3) copies of Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company to the 2012 Phase II of Act 129 Total Resource Cost Test.

Please date stamp the copy and return to me in the enclosed, postage-prepaid envelope. Should you have any questions regarding this matter, please do not hesitate to contact me.

Very truly yours,



Enclosures

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

RECEIVED

JUN 29 2012

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Implementation of Act 129 of 2008-Total
Resource Cost (TRC) Test-2012 Phase II
of Act 129 : : : :
Docket No. M-2012-2300653

COMMENTS OF METROPOLITAN EDISON COMPANY,
PENNSYLVANIA ELECTRIC COMPANY,
PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY TO
THE TENTATIVE ORDER REGARDING THE 2012 PHASE II OF ACT 129 TOTAL
RESOURCE COST TEST

I. INTRODUCTION

Act 129 of 2008 requires an electric distribution company (“EDC”) to demonstrate that its plan is cost-effective using the Total Resource Cost (“TRC”) Test.¹ The TRC Test is “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.”² After soliciting comments, the Commission entered a final order relative to the TRC Test on June 23, 2009 (“2009 TRC Test Order”).³ In furtherance of the Commission’s desire to amend the 2009 TRC Test based upon experience and/or input from stakeholders, on August 2, 2011, the Commission entered an Order refining the existing TRC Test.⁴

¹ 66 Pa.C.S. §2806.1(b)(1)(i)(I).

² 66 Pa. C.S. §2806.1(m)

³ See Implementation of Act 129 of 2008-Total Resource Cost Test Order, entered on June 23, 2009, at Docket No. M-2009-2108601.

⁴ See Implementation of Act 129 of 2008-Total Resource Cost Test-2011 Revisions, entered on August 2, 2011 at Docket No. M-2009-2108601.

Act 129 also requires that the Commission determine if energy efficiency and demand response goals should be established beyond the Phase I goals,⁵ which the Commission is evaluating in Docket No. M-2012-2289411. Should the Commission determine that Phase II of Act 129 is warranted, the Commission will need to address the TRC Test for that phase. Thus, the Commission adopted a Tentative Order on May 24, 2012, which builds on the 2011 TRC Test and *The California Standard Practice Manual*, the basis for the original TRC Test in Pennsylvania.

Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”), Pennsylvania Power Company (“Penn Power”) and West Penn Power Company (“West Penn”) (collectively “the Companies”) appreciate the opportunity to comment on the 2012 revisions to the TRC Test for use in Phase II of Act 129, assuming the Commission determines that Phase II is appropriate. Specifically, the Companies respectfully submit the following comments on three specific areas addressed in the Tentative Order: 1) Incremental Measure Costs Data; 2) Avoided Costs in the Benefit/Cost Ratios in Approved EE&C Plans; and 3) Low Income Costs and Benefits Reporting.

II. INCREMENTAL MEASURE COSTS DATA

In Section IV (G) of the Tentative Order, the Commission discusses the source of incremental measure costs data for purposes of the TRC Test.⁶ The Commission noted for the implementation of programs, EDC’s used incremental costs figures and assumptions that were included in their 2009 EE&C plans. For measure variants not included in the EDCs’ 2009 EE&C plans, the EDCs would use the California PUC’s Database for Energy Efficient Resources

⁵ 66 Pa. C.S. §§2806.1(c)(3) and 2806.1(d)(2).

⁶ Tentative Order at 14.

(“DEER”) as the primary source of cost data and then adjust DEER cost values for regional and local conditions using appropriate cost multipliers. EDCs were also permitted to use cost data from local retailers and suppliers if the DEER database did not provide appropriate values.

The Commission approved the development of a Pennsylvania-specific incremental costs database, which has not yet been completed. Because this database is not yet complete, the Commission proposes that EDCs use the Pennsylvania-specific measure cost data as an optional resource for assessing future energy efficiency goals and the selection of future energy efficiency programs. The Commission also proposes to continue allowing EDCs to use DEER data even where there is already Pennsylvania-specific measure cost data available. Once the database is complete, the EDCs will have the option of using the DEER database or the Pennsylvania-specific database for future EE&C plan updates.

The Companies agree with the Commission in its proposal to utilize the Pennsylvania-specific measure cost data or DEER database should Phase II EE&C plans be required. However, the Companies request additional flexibility in allowing the use of other references outside of DEER and the future Pennsylvania-specific database, such as RS Means (a construction database) or information from local retailers and suppliers when appropriate. DEER and the Pennsylvania-specific measure cost data may not be fully applicable to all program measures; or other references may be more appropriate based on the program design or other unique program measure attributes. This flexibility will allow the EDCs to incorporate the most appropriate incremental cost data, thus allowing them to better assess cost-effectiveness of programs.

The Companies also agree that the statewide evaluator (“SWE”) should finalize the Pennsylvania-specific incremental cost database, and further suggest that an emphasis be placed

on specific guidance regarding the incremental cost for high impact measures with a goal to develop a more accurate determination of cost-effectiveness uniformly throughout the commonwealth. This will support greater emphasis and accuracy of the cost-effectiveness for the EDC's programs on a statewide basis.

III. AVOIDED COSTS IN THE BENEFIT/COST RATIOS IN APPROVED EE&C PLANS

In Section IV (M) of the Tentative Order, the Commission discusses avoided costs for approved EE&C plans.⁷ For Phase I, the Commission allowed EDCs to use the latest available or most current forecast of avoided costs when filing new programs. EDCs did not need to update avoided cost figures included in TRC calculations of previously approved EE&C program plans. When calculating and reporting the overall portfolio TRC test in annual reports, the EDCs would use the vintage of avoided cost forecasts applicable for each program at the time the program was approved.

The Commission proposes that EDCs continue to proceed in a potential Phase II as they did in Phase I by using the vintage of avoided cost forecasts applicable for each program at the time the program was approved. Thereafter, any new programs included in updated Phase II EE&C plans should use the latest available forecast for avoided costs while existing programs will use the vintage of avoided cost forecasts applicable for said programs when the Commission initially approved them.

The Companies generally agree with the Commission's approach. The new Phase II EE&C plans, if deemed appropriate, are currently scheduled to be filed in the fall. The Companies agree that these plans should be evaluated based on a TRC Test that uses the most

⁷ Tentative Order at 20.

current forecast for avoided costs available at the time these plans are developed. They also agree that, should the Companies' include additional programs subsequent to the approval of the Phase II EE&C plans, any such programs should be evaluated using the most current forecast for avoided costs available at the time of inclusion in the approved EE&C plans. However, a recent Secretarial Letter to the Companies included a new provision that requires future requests for approval of *minor* EE&C plan changes through the expedited review process to "include a total resource cost test analysis for each measure being revised and for [an EDC's] entire EE&C plan portfolio to ensure that the Act 129 mandates are being fulfilled in a cost effective manner."⁸ As a preliminary matter, the Companies do not agree with this new directive. Given the nature of the changes contemplated through the expedited review process, the Companies find this to be unduly burdensome. The changes submitted through this process involve minor changes with no impact on customer class budgets. In order to comply with this directive, an EDC would have to re-model its entire plan, which is an expensive and time consuming undertaking. This requirement, in essence, undermines the intent of the expedited review process that was put in place for minor plan changes and requires fundamental plan development activities comparable to those required for submitting a revised plan. Given the anticipated targets and the time frames in which to achieve Phase II targets, it is imperative that the EDCs are able to perform minor plan changes in a timely manner. In light of this, the Companies urge the Commission to clarify that *no* TRC Test is necessary for minor plan changes made to already approved EE&C plans.

Should the Commission reject this recommendation, then the Companies request that the Commission, at a minimum, make it clear that the TRC Test to be used when making such minor modifications be based on the forecasts used at the time the program being modified was approved. Requiring different forecasts each time an approved program is modified would

⁸ See e.g. June 14, 2012 Secretarial Letter, Docket No. M-2009-2093218.

create an administrative nightmare and could result in an already approved program failing the TRC Test if more current forecasts of avoided costs are used and those forecasts reflect a downturn in the market. If EDCs were required to remove the program after approval, they would have to rebalance their entire EE&C portfolio, which may then require additional evidentiary hearings.

In sum, the Companies ask that no TRC test be required for minor program modifications; but if such an analysis is required, that it be based on the forecast of the avoided costs in effect at the time the program was approved.

IV. LOW INCOME COSTS AND BENEFITS REPORTING

In Section V (B) of the Tentative Order, the Commission proposes that EDCs include as part of their annual reports an estimate of the costs, benefits and TRC Test results for low-income savings from participation of low-income individuals in general residential programs (or non low-income specific programs). The Companies question the value of this exercise and recommend that the Commission eliminate this requirement. As a preliminary matter, absent the need to incur additional costs to administer the program for the low income sector, the TRC Test would result in the same ratio whether the costs and benefits of the programs are calculated for general residential participants or low-income participants in these programs. Moreover, any potential difference in the TRC Test calculation between the low income sector and the general residential class would be virtually impossible to calculate because there is no practical way to allocate program costs and savings between the general residential class and the low income sub-class without sophisticated cost tracking and EM&V processes in place. And, unless the costs to implement these processes can be justified by the benefits received from the resulting information, any TRC Test analysis for the low income customer sub-class would simply be an

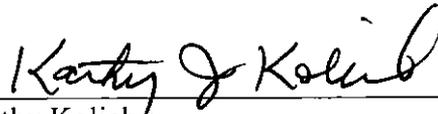
estimate with no statistical accuracy on which to base any future analyses. The Companies believe that the cost-effectiveness determination should be done at the program level, with both low-income and general residential customer data included together because the results would better reflect the actual costs and benefits of providing a program to multiple customer types.

V. CONCLUSION

The Companies commend the Commission's efforts to provide clear direction relative to the TRC Test for Phase II of Act 129 if implemented. Additionally, the Companies appreciate the opportunity to provide comments on the Commission's proposed TRC Test for Phase II.

Respectfully submitted,

Dated: June 29, 2012



Kathy Kolich
Attorney No. 92203
FirstEnergy Service Company
76 S. Main Street
Akron, OH 44308
Phone: (330) 384-4580
Fax: (330) 384-3875
Email: kjkolich@firstenergycorp.com

Counsel for:
Metropolitan Edison Company,
Pennsylvania Electric Company,
Pennsylvania Power Company and
West Penn Power Company

RECEIVED

JUN 29 2012

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

From: (330) 384-5801
 KATHY GRANT
 FIRSTENERGY CORP
 LEGAL DEPARTMENT - 15TH FLOOR
 76 SOUTH MAIN STREET
 AKRON, OH 44308

Origin ID: CAKA



J12201205300325

Ship Date: 29JUN12
 ActWgt: 1.0 LB
 CAD: 4458302/NET3300

Delivery Address Bar Code



RECEIVED
 JUN 29 2012

SHIP TO: (717) 772-7777

BILL SENDER

Rosemary Chiavetta, Secretary
 Pennsylvania Public Utility Commiss
 Commonwealth Keystone Bldg.
 400 North Street, 2nd Floor
 Harrisburg, PA 17120

Ref # 503001 503001 560600
 Invoice #
 PO #
 Dept #

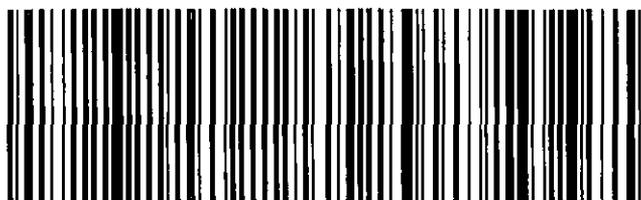
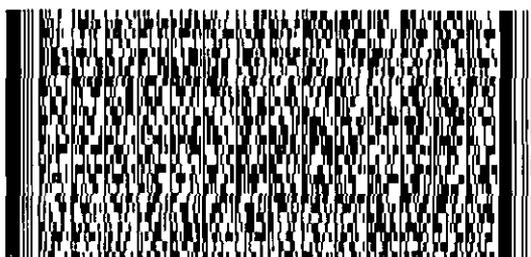
PA PUBLIC UTILITY COMMISSION
 SECRETARY'S BUREAU

MON - 02 JUL A1
 PRIORITY OVERNIGHT

TRK# 7937 4114 9889
 0201

ASR
 17120
 PA-US
 MDT

XH MDTA



515G1/793A/AA44

After printing this label:

1. Use the 'Print' button on this page to print your label to your laser or inkjet printer.
2. Fold the printed page along the horizontal line.
3. Place label in shipping pouch and affix it to your shipment so that the barcode portion of the label can be read and scanned.

Warning: Use only the printed original label for shipping. Using a photocopy of this label for shipping purposes is fraudulent and could result in additional billing charges, along with the cancellation of your FedEx account number.
 Use of this system constitutes your agreement to the service conditions in the current FedEx Service Guide, available on fedex.com. FedEx will not be responsible for any claim in excess of \$100 per package, whether the result of loss, damage, delay, non-delivery, misdelivery, or misinformation, unless you declare a higher value, pay an additional charge, document your actual loss and file a timely claim. Limitations found in the current FedEx Service Guide apply. Your right to recover from FedEx for any loss, including intrinsic value of the package, loss of sales, income interest, profit, attorney's fees, costs, and other forms of damage whether direct, incidental, consequential, or special is limited to the greater of \$100 or the authorized declared value. Recovery cannot exceed actual documented loss. Maximum for items of extraordinary value is \$500, e.g. jewelry, precious metals, negotiable instruments and other items listed in our ServiceGuide. Written claims must be filed within strict time limits, see current FedEx Service Guide.