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June 29, 2012

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

**RE: Implementation of Act 129 of 2008 – Total Resource Cost (TRC) Test
2012 Phase II of Act 129
(Docket Nos. M-2012-2300653/M-2009-2108601)**

Dear Secretary Chiavetta,

Enclosed for filing are an original and three (3) copies of the comments of the Energy Association of Pennsylvania (EAP) in the above-referenced docket.

Sincerely,

A handwritten signature in black ink, appearing to read "Donna M.J. Clark", with a long horizontal flourish extending to the right.

Donna M.J. Clark
Vice President and General Counsel

cc: Robert F. Powelson, Chairman
John F. Coleman, Vice Chairman
James H. Cawley, Commissioner
Pamela A. Witmer, Commissioner
Wayne E. Gardner, Commissioner
Laura Edlinger (electronic copy)
Louise Fink Smith (electronic copy)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Implementation of Act 129 of 2008- :
Total Resource Cost (TRC) Test - : Docket Nos. M-2012-2300653
2012 Phase II of Act 129 : M-2009-2108601

COMMENTS OF
THE ENERGY ASSOCIATION OF PENNSYLVANIA
TO THE PROPOSED REVISIONS
TO THE TOTAL RESOURCE COST TEST FOR USE IN PHASE II OF ACT 129

I. Introduction

Pursuant to Act 129 of 2008 ("Act 129"), an electric distribution company ("EDC") with 100,000 or more customers is required to adopt an Energy Efficiency & Conservation ("EE&C") Plan and to, *inter alia*, demonstrate "that the plan is cost-effective using a total resource cost test approved by the Commission...." 66 Pa. C. S. §2806.1 (b) (1) (i). Act 129 defines the total resource cost ("TRC") test 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 and conservation measures." *Id.* at §2806.1(m).

The Pennsylvania Public Utility Commission ("Commission" or "PUC") initially adopted a TRC test under Act 129 in its June 23, 2009 Order at Docket M-2009-2108601 and subsequently revised it at the same docket pursuant to an Order entered on August 2, 2011. On May 25, 2012, the Commission entered a Tentative Order proposing additional adjustments to

the TRC test for use in Phase II of Act 129 and seeking comments from interested parties and stakeholders on or before twenty (20) days after publication in the *Pennsylvania Bulletin* or by June 29, 2012 whichever is later. Reply comments are allowed thereafter.

The Energy Association of Pennsylvania (“EAP” or “Association”) submits the following general comments to the topics as outlined in the Act 129 TRC Test - Phase II Order on behalf of its member EDCs subject to the provisions of Act 129.¹ EAP welcomes the opportunity to provide discrete comments and seek clarification on several points raised in the Commission’s proposed resolution of TRC issues for use in Phase II of Act 129. In general, EAP notes that the resolution of issues presented in the Tentative Order incorporates experience gained in Phase I and reflects discussions with the Statewide Evaluator (“SWE”) at Act 129 technical working group meetings.

II. Comments

A. TRC Test Topics

With respect to the resolution of issues presented under the heading “TRC Test Topics” in the Tentative Order, EAP incorporates by reference the points raised and any modifications/clarifications sought by its individual EDC members subject to Act 129.

B. Benefits and Costs

With respect to the resolution of issues presented under the heading “Benefits and Costs” in the Tentative Order, EAP incorporates by reference the points raised and any modifications/clarifications sought by its individual EDC members subject to Act 129.

¹ Duquesne Light Company, Metropolitan Edison Company, PECO Energy Company, Pennsylvania Electric Company, Pennsylvania Power Company, PPL Electric Utilities Corporation and West Penn Power Company.

Additionally, EAP notes that in connection with the proposal at Section IV. E. that all incentive payments from sources outside of Act 129, including state and federal tax credits, be accounted for in the TRC calculation as a reduction in costs, EDCs will likely have difficulty in obtaining complete information on such non-Act 129 incentives. Accordingly, EAP seeks clarification that any such reductions to costs based on non-Act 129 incentives should be limited to reductions that are reasonably quantifiable.

C. Low Income TRS Test Calculation Guidance

With respect to the resolution of issues presented under the heading “Low Income TRC Test Calculation Guidance” in the Tentative Order, EAP incorporates by reference the points raised and any modifications/clarifications sought by its individual EDC members subject to Act 129.

Further in the context of Section V. A., EAP believes that the methodology employed in Phase I which relied in part on Penn State University Census Data provides a more accurate estimate of the number of low-income customers who are likely to participate in non-low income Act 129 residential measures. The Penn State University Census Data reflects the entire low-income customer population in each EDC service territory and thus provides a reasonable basis for estimating the percentage of low-income customers who will participate in non-low income residential measures pursuant to an EE&C Plan. In Phase I, the Penn State University Census Data was augmented by verifiable EDC low-income account and usage data. Essentially, two sources were tapped to arrive at the estimated percentage of low-income customers who are participating in non-low-income Act 129 programs.

In comparison, the percentage of “confirmed low-income customers” which is reported annually by EDCs in the Universal Service Report reflects only the number of low-income households which participate in universal service programs. Low-income status is confirmed via the application process and does not always reflect independent verification through a third party source. The number clearly does not reflect the total number of low-income households in a utility service territory, a certain percentage of which may participate in non-low-income Act 129 programs although they do not participate in universal service programs such as LIURP or CAP. Thus, the “number of confirmed low-income customers” as reported in the Universal Service Report arguably reflects only a subset of those households which meet the definition of low-income. This conclusion is supported by a comparison of the percentage of confirmed low-income customers in a utility service territory with the percentage of estimated low-income customers in that same utility service territory both of which are reported by the Commission in its annual Universal Service Report.²

Moreover, this percentage which is calculated for a limited purpose and captures only a portion of low-income households in any one service territory will not readily and accurately provide an estimate of low-income customers who are participating in non-low income Act 129 residential measures. EAP contends that the methodology employed in Phase I more fairly and accurately estimates the percentage of low-income customers participating in non-low income Act 129 residential measures and should be used to determine both the value of low income savings and whether an EDC’s efforts to meet the proposed additional prescriptive mandate to obtain 4.5% of residential consumption savings from the low-income sector is cost-effective.

² Pennsylvania Public Utility Commission’s *2010 Universal Service Programs & Collections Performance of the Pennsylvania Electric Distribution Companies & Natural Gas Distribution Companies* (Pages 8-10)

D. Net-to-Gross Adjustments

With respect to the resolution of issues presented under the heading "Net-to-Gross (NTG) Adjustments to Savings" in the Tentative Order, EAP incorporates by reference the points raised and any modifications/clarifications sought by its individual EDC members subject to Act 129.

E. Demand Response

EAP offers no additional comments at this docket with respect to the topic presented under the heading "Demand Response" and incorporates by reference its comments submitted to the Tentative Implementation Order at Docket M-2012-2289411/M-2008-2069887.

III. Conclusion

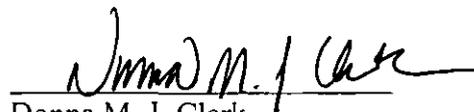
EAP respectfully requests that the Commission consider the above comments as well as those submitted by its EDC members subject to Act 129 in further refining the Total Resource Cost Test to be used in Phase II of Act 129.

Respectfully submitted,


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Date: June 29, 2012


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