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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY COMMENTS OF THE KEYSTONE ENERGY EFFICIENCY ALLIANCE TO TENTATIVE IMPLEMENTATION ORDER REGARDING THE TOTAL RESOURCE COST TEST OF ANY FUTURE PHASE OF ENERGY EFFICIENCY and CONSERVATION PROGRAMS UNDER ACT 129

I. <u>Introduction</u>

The Keystone Energy Efficiency Alliance ("KEEA"), a nonprofit trade association with a membership of fifty-six (56) energy efficiency and demand response companies and organizations, appreciates the opportunity to submit reply comments on the Total Resource Cost (TRC) Test – 2012 Phase II of Act 129 (Docket No. M-2012-2300653). KEEA filed extensive comments with Citizens for Pennsylvania's Future (PennFuture) on June 29, 2012. Our key point in that filing was to recommend an overhaul of the TRC mechanism in order to include a variety of non-energy benefits. We respectfully ask the commission to address this limitation because without this change, Pennsylvania programs will continue to limit energy savings from energy efficiency programs. KEEA supports the commission's first step in that direction which would be the inclusion of incentive payments from sources outside of Act 129 such as tax credits.

II. <u>Reply Comments</u>

1. Incentive Payments from Sources Outside of Act 129

In its Tentative Implementation Order for the TRC Test in Phase II of Act 129, the Pennsylvania Public Utility Commission (Commission) proposed that all incentive payments from sources outside of Act 129, including state and federal tax credits, be considered a reduction in costs for customers participating in programs and that reduction should be accounted for in the TRC calculations. In response, Electric Distribution Companies (EDC) such as PPL (p.4-5) filed comments indicating that it is difficult to track incentives for various customer classes and therefore too difficult to account for in a TRC Test.

KEEA agrees with the commission that tax credits, rebates and other incentives should be accounted for in the TRC calculation (Tentative Order pg. 12) so that accurate costs are assigned and the value of tax credits are used to maximize the cost-effectiveness of qualifying measures. Under the 2% spending cap, all potential costs and benefits need to be captured for qualifying measures. KEEA agrees with PPL and others that accurately accounting for these benefits may be difficult in some cases. There may be federal tax credit information available that would help determine how best to track and qualify the value of tax credits in the TRC. As an alternative, KEEA supports PECO's suggestion to utilize quantifiable incentives only (PECO pg. 3). Above all, KEEA recommends that the Commission apply a standard approach for outside incentives across all EDCs and that it be included as a requirement for energy efficiency and conservation (EE&C) programs and not an option as PPL requests (PPL pg. 3).

KEEA supports EnerNOC's comments indicating that a multi-year calculation should be used when considering all customer incentives in a TRC Test. This multi-year calculation would include tax credits and other non-Act 129 incentives such as the ability of C&I customers to do multi-year depreciation of some assets.

2. Low-Income Energy Savings

KEEA supports the Commission's proposal to utilize the percentage of confirmed low-income customers, as reported annually by EDCs in the Universal Service Report[1], as the proxy for estimating low-income savings from non-low-income programs (Tentative Order pg. 24). KEEA recognizes that PPL's suggested approach to this issue makes sense and may be less expensive, but a compromise would be for EDCs to utilize the Universal Service Report for at least one year as the proxy to establish confidence in the participation rate. This will ensure consistency across all EDC calculations for low-income participation in non-low-income programs. It will also help to avoid an over-estimation of low income participation. The Energy Association of Pennsylvania (EAP) suggested using population data provided by Penn State University's census data to estimate the number of low-income customers who are likely to participate in non low-income residential programs (EAP pg. 3). This approach would over-

[1] Report on 2010 Universal Service Programs & Collections Performance of the Pennsylvania Electric Distribution Companies & Natural Gas Companies. April 2010. http://www.puc.state.pa.us/general/publications_reports/pdf/EDC_NGDC_UniServ_Rpt2010.pdf

count low-income participation. Low-income households do not participate in energy efficiency programs at the same rate as non low-income households because they do not have the money to invest in energy-efficient products, home retrofits, etc. that qualify for Act 129 EE&C rebates.

3. Environmental Benefits

The Commission proposes that environmental and societal costs and benefits continue to be excluded from TRC Test calculations, unless such costs and benefits are otherwise already embedded in the wholesale cost for generation. The Commission explains that Section 2806.1(m) of Act 129 expressly provides that only "monetary" benefits and costs are to be factored into the TRC Test (Tentative Order pg. 5). PECO supports the continuation of the exclusion of environmental benefits in the TRC Test (PECO pg. 2). Pennsylvania EE&C programs are already disadvantaged by the restrictive definition of the TRC which is limited to only electric fuels, and does not include certain benefits (e.g., environmental). KEEA has filed extensive comments with the help of Synapse Energy Economics, Inc. to counter this limitation. KEEA's comments specifically included ACEEE information on how other states have handled the inclusion of environmental benefits in TRC Test calculations (KEEA pg. 5-8). ACEEE's survey shows 14 states quantify environmental externality benefits, 12 states quantify customer "non-energy" impacts, and 5 states quantify other "societal" benefits (not including "environmental" benefits).[2]

Energy efficiency screening should account for all current and anticipated costs of complying with environmental regulations. These compliance costs will be passed on to utility customers, and thus should be included as part of the avoided costs of the TRC Test. There are several existing federal, regional and state initiatives to reduce greenhouse gases (GHG) that will result in compliance costs. While there may be some uncertainty about federal regulations to limit GHGs in the next few years, there is no question that there will be federal requirements within the lifetime of many of the energy efficiency measures (e.g., 15 to 20 years).

Energy efficiency is by far the lowest-cost and most plentiful option for meeting future energy goals. In order to meet climate change regulations at the lowest cost it is important that the full cost of complying with current and future GHG initiatives are accounted for in screening energy efficiency programs. In sum, energy efficiency should be evaluated on an equivalent basis with other options for mitigating GHG emissions.

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[2] The ACEEE report provides the results of a comprehensive survey and assessment of the "state of the practice" of utility-sector energy efficiency program evaluations across the 50 states and DC. (ACEEE 2012)

KEEA also supports a consistent EDC approach for counting avoided transmission and distribution (T&D) costs which more accurately reflects an important benefit that EE&C and Demand Response programs provide to ratepayers. In its comments, EnerNOC states that only a few EDCs have reported any avoided T&D costs in their Act 129 filings (EnerNOC pg. 8). EnerNOC also provides a chart in its comments highlighting other states that have included avoided T&D costs in their TRC Test calculations (EnerNOC pg. 9) which includes Connecticut, Wisconsin, New York, and California.

III. Conclusion

KEEA is grateful for the opportunity to participate in the various proceedings on Act 129. We look forward to working together to make Phase Two of the Commonwealth's energy efficiency policy as successful as possible. In addition, we ask the commission to consider looking ahead to how the TRC can be modified to address the inclusion of non-energy benefits and other energy sources – which many states have already addressed to advance comprehensive energy efficiency.

Respectfully submitted on behalf of KEEA,

President
Board of Directors