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February 7, 2013

VIA HAND DELIVERY

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Petition of Duquesne Light Company for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan - Docket No. M-2012-2334399

Dear Secretary Chiavetta:

Pursuant to the Pennsylvania Public Utility Commission's Phase II Implementation Order, enclosed for filing on behalf of Duquesne Light Company are the the Reply Comments and Revised EE&C Phase II Plan for the above-referenced proceeding. A CD containing copies of the above-mentioned documents is also provided. Copies have been provided as indicated on the Certificate of Service.

Respectfully submitted,

Andrew S. Tubbs

AST/jl
Enclosures

cc: Honorable Dennis J. Buckley
Certificate of Service

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan	: : : :	Docket No. M-2012-2334399

REPLY COMMENTS OF DUQUESNE LIGHT COMPANY

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I. INTRODUCTION

On November 15, 2012, Duquesne Light Company ('Duquesne Light" or Company") filed its Energy Efficiency and Conservation Phase II Plan ("EE&C Phase II Plan") with the Pennsylvania Public Utility Commission ("Commission"). The Company's EE&C Phase II Plan is a comprehensive plan designed to achieve the required energy savings within the allotted budget. By way of background, Act 129 of 2008 ("Act 129"), P.L. 1592, 66 Pa. C.S. §§ 2806.1 and 2806.2 was passed into law on October 15, 2008. Among other things, Act 129 amended the Public Utility Code (Code), 66 Pa. C.S. §§ 101 et seq., to require the Commission to develop an Energy Efficiency and Conservation Program (EE&C Program) by January 15, 2009. Electric distribution companies ("EDCs") with at least 100,000 customers are required to adopt and implement a Commission-approved EE&C Plan. For the reasons set forth below, Duquesne Light respectfully requests that the Commission approve its Phase II EE&C Plan with modifications identified in the Joint Petition for Partial Settlement filed on January 28, 2013 and illustrated by the revised EE&C Plan filed in this proceeding on February 7, 2013.

II. PROCEDURAL HISTORY

On November 15, 2012, Duquesne Light timely filed its petition for approval of its EE&C Phase II Plan with the Commission. On December 1, 2012, a notice of Duquesne Light's November 15, 2012 filing was published in the Pennsylvania Bulletin establishing that comments on the Phase II EE&C Plan were due December 21, 2012.

On December 5, 2012, the Office of Small Business Advocate ("OSBA") filed a Notice of Intervention and Public Statement. On December 6, 2012, the Office of Consumer Advocate ("OCA") filed a Notice of Intervention and Public Statement. The Coalition for Affordable Utility Service and Energy Efficiency ("CAUSE-PA") and Citizens Action Alliance of

Pennsylvania ("CAAP") filed Petitions to Intervene on December 6, 2012. Petitions to Intervene were filed on December 7, 2012 by Duquesne Industrial Intervenors ("DII") and Citizen Power, Inc. ("Citizen Power").

A prehearing conference was held on December 6, 2012 by Administrative Law Judge Dennis J. Buckley (the "ALJ"). Counsel for Duquesne Light, OCA, OSBA, CAUSE-PA, DII, CAAP and Citizen Power appeared. On December 12, 2012, the ALJ issued the Second Prehearing Order granting the Petitions to Intervene that were filed prior to the prehearing conference. On December 13, 2012, Duquesne Light filed a Motion for Protective Order. Duquesne Light's Motion was granted by Order entered on December 13, 2012.

On December 21, 2012, comments were filed with the Commission by OCA, DII, ACTION-Housing Pittsburgh ("ACTION-Housing"), ReEnergize Pittsburgh Coalition ("ReEnergize Pittsburgh") and Comverge, Inc. ("Comverge"). In addition, Comverge filed a Petition to Intervene on December 21, 2012. In accordance with the procedural schedule, on January 3, 2013, direct testimony was distributed to all active parties by OCA, CAUSE-PA, and CAAP. On January 9, 2013, the ALJ issued the Fourth Prehearing Order, formally informing the parties that a party's comments would not be included in the certified record of this proceeding.

On January 14, 2013, the ALJ issued the Fifth Prehearing Order, granting Comverge's Petition to Intervene. Also, on January 14, 2013, Comverge filed a Petition for Admission Nunc Pro Tunc of Direct Testimony. On January 15, 2013, Duquesne Light served rebuttal testimony on the active parties to the proceeding.

Pursuant to 52 Pa. Code § 5.231, it is the Commission's policy to encourage settlements. Accordingly, the parties were involved in settlement discussions over the course of this proceeding. As a result of the efforts of the parties to examine the issues in the proceeding, a full settlement in principle was achieved by Duquesne Light, OCA, Comverge, CAAP, Citizen Power, and CAUSE-PA thereby eliminating the need for the scheduled evidentiary hearings on most issues. Therefore, a hearing was held for the limited purpose of allowing for cross-examination on the limited issues raised by DII and for the introduction and admission into evidence of Duquesne Light's Phase II EE&C Plan, testimony and exhibits and the testimony and exhibits filed by CAUSE-PA, CAAP and OCA during the course of the proceeding. The hearing was held on January 18, 2013.

Duquesne Light and DII filed Main Briefs on January 28, 2013.

III. DESCRIPTION OF EE&C PLAN

Duquesne Light's EE&C Phase II Plan includes a range of energy efficiency programs that include every customer segment in Duquesne Light's service territory. However, prior to discussing the details of the EE&C Phase II Plan, it is important to understand the plan development process employed by Duquesne Light which serves as important background information relevant to legal arguments discussed later in these Reply Comments.

Essentially, the Company's EE&C Phase II Plan was developed upon the basic premise that energy is saved where it is used. Accordingly, the Company undertook four steps to develop its EE&C Phase II Plan. First, the Company reviewed the energy efficiency and conservation potential in the Duquesne Light service territory for each of its major rate classes. (Plan at p. 4). Second, based on the Phase I market segmentation and program underperformance, the Phase II program design was revised. (Plan at p. 5). The program design was revised based on customer participation levels and program performance during Phase I Program Year ("PY") 2 & 3. (Plan at p. 4). The initial measure mix was established based on the previous two years of measure activity and reconciled with the content of the Commission's proposed 2013 Technical

Reference Manual (TRM) and information provided in the Commission's statewide evaluator's ("SWE") saturation studies and potential forecast. (Plan at p. 5).

Third, in determining the measure savings, cost and benefits, the Company used measure deemed savings consistent with the proposed 2013 TRM and measure costs were documented, referenced to California Public Utilities Commission Database of Energy Efficient Resources ("DEER"), invoice data and specific measure cost research. Avoided cost assumptions were updated consistent with the Commission's Total Resource Cost Test ("TRC") Order. (Plan at p.5).

Finally, portfolio/program goals and funding were adjusted to accommodate additional mandates contained in the Commission's Phase II Order, such as the low income and government/nonprofit carve out. Goal allocation for the remaining customer segments was based on customer segment energy use, previous delivery channel strengths and weaknesses, as well as requirements to achieve mandated reductions at authorized budgets. (Plan at p. 5).

The outcome of the Company's plan development process resulted in an EE&C Phase II Plan consisting of nineteen programs: six residential sector programs; nine commercial sector programs; and four industrial sector programs. Three of the commercial sector programs were targeted to the Government/Non-Profit sector to help the Company achieve its Government/Non-Profit carve-out. Of the nineteen programs, four are newly created programs that were added based on the Company's analysis and experiences in Phase I of the EE&C program. For example, the Company developed a small commercial direct install program to overcome barriers to participation demonstrated in PY 2-3 small office and small retail segment targeted programs. (Plan at p. 111). The Company's proposed programs and expected consumption reductions; however a complete description of each program can be reviewed at pages 13-82 of the Company's plan.

In developing its EE&C Phase II Plan, the Company sought to attain cost-effective savings to assure compliance and avoid the substantial penalties provided for in Act 129. Duquesne Light is required to achieve 276,722 MWhs of energy savings over the Phase II period. The Company's costs to achieve the required savings may not exceed 2% of the Company's 2006 annual revenues which equals approximately $19.545 million per year or approximately $58.65 million for the entire Phase II three year period. In other words, the Company may spend up to $211.90 per MWh to acquire its savings.

IV. REPLY COMMENTS OF DUQUESNE LIGHT

As noted above, comments were filed by OCA, Comverge, DII, ACTION-Housing, and ReEnergize Pittsburgh on December 21, 2012. Duquesne Light will not address the comments filed by OCA and Comverge, as these parties are signatories to the Settlement filed with the Commission on January 28, 2013. In addition, the majority of the comments of DII have been addressed by the Company in its Main and Reply Briefs. Therefore, Duquesne Light has limited its Reply Comments relative to DII to one issue that was not previously addressed and will not repeat statements already filed in this proceeding. Finally, in many respects the comments of ACTION-Housing and ReEnergize Pittsburgh are complimentary of Duquesne Light's Phase II EE&C Plan. However, these parties have requested some limited modifications to the Company's Plan and these Reply Comments will respond to these issues.

A. DUQUESNE INDUSTRIAL INTERVENORS

As noted above, DII does raise one issue in its comments that it did not raise in its Main Brief. Specifically, DII states that it reserves the right to challenge any program in Duquesne

Light's Phase II EE&C Plan based on the results of the 2013 SWE audit of Duquesne Light's Phase I EE&C Plan, scheduled to be issued on or about June 1, 2013. DII Comments, pp. 9-10. While DII may have the right to petition the Commission based on new information not reasonably attainable now, it should be noted that comparing the Company's Phase I and Phase II plans is not an "apples to apples" comparison. The results of the Phase I audit may or may not be applicable to the Company's Phase II plan.

In developing its Phase II EE&C Plan, Duquesne Light examined its Phase I EE&C Plan and the operation of the programs contained in its current plan. Specifically, the Company's planning process made extensive use of benchmarking data and drew heavily on the Phase I PY 2 and 3 performances. Based upon this analysis, the Company has proposed to include a number of its Phase I EE&C Plan programs in its Phase II EE&C Plan. The Company proposed these programs in order to provide benefits to its customers and to meet the Company's Phase II consumption reduction target and other program requirements set forth in Act 129 and the Commission's *2012 Implementation Order*.

Moreover, Duquesne Light's Phase II EE&C Plan is a separate proceeding and has different savings targets than Phase I, different program acquisition costs than Phase I, different low-income set-aside targets and funding requirements than Phase I. Moreover, significant changes to the Commission's technical reference manual deemed savings values and applicability of new minimum federal efficiency standards, Duquesne Light's avoided costs, established in compliance with the TRC Order(s), are more than 25% lower than Phase I avoided costs. Therefore, such a comparison would also serve to disregard findings of the Commission adopted in the 2012 energy efficiency potential forecast reflecting variable end-use technology saturations, the very function of the Phase I programs. In addition, the associated program activity for Duquesne Light's Phase I EE&C Plan is audited and reported to the Commission quarterly. It is unreasonable to anticipate some "sea-change" is going to occur with release of the 2013 SWE audit report.

To the extent DII has concerns with any of the Company's Phase II EE&C Plan programs following the release of the SWE's 2013 audit report, DII should raise its concerns directly with Duquesne Light or as part of the Company's Phase II stakeholder process. Duquesne Light has a robust stakeholder process for the purpose of vetting modification changes to our plan. DII should be required to bring any potential issues through the stakeholder process before initiating formal legal action.

For these reasons, the Company's Phase II EE&C Plan contains a different mix of measures, programs, savings and costs per customer sector than its Phase I EE&C Plan. Therefore, Duquesne Light does not believe that it is appropriate to directly compare the Phase I TRC to the Phase II TRC, and require changes to the Phase II EE&C Plan based on actual Phase I audit results.

B. ACTION-HOUSING, INC.

On pages 2 and 3 of its comments, ACTION-Housing commends Duquesne Light for developing its Multifamily Housing Retrofit Program and for proposing that it be a full service program for multifamily buildings. However, ACTION-Housing identifies a few items that the Company consider modifying relative to this program. Specifically, ACTION-Housing recommends that Duquesne Light: (1) to not limit its outreach only to master metered facilities, as only in tenant paid buildings will the residents directly benefit from the retrofits; (2) to measure income qualification not on a unit-by-unit basis, but as an entire building average; and, (3) to consider introducing a pilot on-bill financing option. ACTION-Housing Comments, pp. 2-3.

Duquesne Light appreciates the input from ACTION-Housing and will take these comments under advisement as the Company proceeds to implement its Multifamily Housing Retrofit Program. However, Duquesne Light does not support the requested modification to the program. The Multifamily Housing Retrofit Program is a component of the Company's Governmental Sector and is designed to assist Duquesne Light in achieving its 10% GNI carve-out consumption reduction target. To expand the program to include tenant paid buildings would result in additional savings associated with the residential sector but detract from the program's purpose relative to the GNI carve-out. Individually metered customers may receive similar services through the Company's Smart Comfort Program or Low Income Energy Efficiency Programs. It is not necessary to expand the Multifamily Housing Retrofit program for this purpose.

ACTION-Housing's recommendation that the Company income qualify for this program based upon a building average is not appropriate. In the *2012 Implementation Order* the Commission determined that EDCs need not qualify or verify customers as low-income relative to these customers participating in general residential EE&C programs. Indeed, the Commission has approved the use of a survey methodology for determining low-income participation in non-low-income programs in the *2012 TRC Order* for use in Phase II EE&C Plans. *2012 PA Total Resource Cost (TRC) Test,* Docket Nos. M-2012-2300653 (Order Entered August 30, 2012), pp. 49-50.

Finally, Duquesne Light declines to consider offering a pilot on-bill financing option at this time. The Company will continue to actively participate in the ongoing Commission-led review of on-bill financing options and will consider the potential for such an option at the conclusion of the Commission's review.

C. REENERGIZE PITTSBURGH

On page 2 of its comments, ReEnergize Pittburgh commends Duquesne Light's decision to continue its Residential Energy Efficiency Rebate Program ("REEP"). However, ReEnergize Pittsburgh requests that Duquesne Light add additional rebates for material typically employed in air sealing of houses and encourage LED rebates as most major home improvement retailers now stock. ReEnergize Pittsburgh Comments, p. 2. Duquesne Light in developing its Phase II EE&C Plan has incorporated these types of measures. Consistent with the Settlement reached in this proceeding, these measures have been identified in the redline of the EE&C Plan filed on February 7, 2013.

As to Duquesne Light's proposed School Energy Pledge Program, ReEnergize Pittsburgh states its support for this program but requests that the Company target the program to schools in the neighborhoods with highest energy usage rates. ReEnergize Pittsburgh Comments, p. 3. This program has been well received in Duquesne Light's service territory. Therefore, the Company has not had to actively recruit. However, in implementing its Phase II EE&C Plan, in the event recruiting efforts are needed, Duquesne Light will consider ReEnergize Pittsburgh's recommendation. Further, ReEnergize Pittsburgh asks that Duquesne Light consider increasing the funding for this program so that all schools that wish to participate, may do so. Duquesne Light appreciates ReEnergize Pittsburgh's comments, however, the Company is not able to expand this program under the budget constraints of operating its Phase II EE&C Plan, and without impacting the Company's ability to achieve its Phase II EE&C Plan consumption reduction target.

ReEnergize Pittsburgh supports the Company's Residential Home Energy Reporting Program and encourages Duquesne Light to expand the program to enable the entire residential customer base to participate. ReEnergize Pittsburgh Comments, p. 3. As proposed, this program will enable 50,000 households to participate. Duquesne Light investigated the possibility of expanding this program in Phase II of its EE&C Plan. However, due to the budget constraints of operating its Phase II EE&C Plan, and the potential impact on the Company's ability to achieve its Phase II EE&C Plan consumption reduction target, the program was limited to 50,000 households.

Similarly, ReEnergize Pittsburgh recommends that Duquesne Light expand the operation of its Whole House Retrofit Program. ReEnergize Pittsburgh Comments, p. 3. Duquesne Light based its proposed level of participation for this program on the Phase II EE&C Plan budget and the Company's need to achieve all of its Phase II EE&C Plan requirements. In addition, ReEnergize Pittsburgh states that it is concerned that the auditors for this program will not have the credentials conducive to success of the program. *Id.* Duquesne Light agrees with ReEnergize Pittsburgh that it is important to select qualified auditors for this program. To that end, Duquesne Light, through the RFP for selection of the CSP for this program, will require that the auditors have the necessary qualifications to ensure the success of this program.

Finally, ReEnergize Pittsburgh raises similar issues to those identified above relative to the Company's proposed Multifamily Housing Retrofit Program (i.e., on-bill financing option). ReEnergize Pittsburgh Comments, p. 4. Rather than repeat those comments, Duquesne Light incorporates its comments by reference. *See*, Section IV, C.

V. CONCLUSION

WHEREFORE, for all the foregoing reasons, and the reasons discussed in the Settlement, Company's Main and Reply Briefs the Phase II Energy Efficiency & Conservation Plan of Duquesne Light Company, as modified in this proceeding, should be approved.

Respectfully submitted,

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Date: February 7, 2013

Attorneys for Duquesne Light Company

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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