BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Energy Efficiency and Conservation	**:**	
Program – 2016 Total Resource	**:**	**Docket No. M-2015-2468992**
Cost (TRC) Test	**:**	

Comments of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania

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The Pennsylvania Utility Law Project

On Behalf of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA)

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These comments are submitted by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), through its attorneys at the Pennsylvania Utility Law Project, pursuant to the Commission's Tentative Order, dated March 11, 2015, inviting interested parties to comment on issues related to the 2016 Total Resource Cost (TRC) Test.[1]

CAUSE-PA is a statewide unincorporated association of low-income individuals which advocates on behalf of its members to enable consumers of limited economic means to connect to and maintain affordable water, electric, heating, and telecommunication services. CAUSE-PA membership is open to moderate and low-income individuals residing in the Commonwealth of Pennsylvania who are committed to the goal of helping low-income families maintain affordable access to utility services and achieve economic independence and family well-being.

CAUSE-PA is interested in the creation, development, and implementation of effective energy efficiency and conservation programs, targeted to assist low-income Pennsylvanians, which promote long term affordability of electricity and, in turn, the health and welfare of households across the state. To that end, CAUSE-PA has focused its comments on the impact of the TRC Test on low income energy efficiency programming. In particular, CAUSE-PA responds to the Statement of Commissioner James H. Cawley, which elicited specific comment on whether inclusion of certain non-energy benefits in the Total Resource Cost (TRC) test is in accord with the definition of the TRC in Act 129.

In response to this specific request for comment, CAUSE-PA asserts that consideration of certain non-energy benefits derived from low income energy efficiency programming, specifically including decreased universal service program costs and uncollectible expenses, is contemplated by Act 129 and fits squarely within the definition of the TRC test. As the Commission moves

[1] *2016 Total Resource Cost (TRC) Test*, Tentative Order, Pa PUC Docket No. M-2015-2468992 (March 11, 2015).

forward with Phase III, inclusion of these additional savings components in the TRC Test will better ensure that the enhanced whole-home and direct install programming requirements are able to be achieved.

Act 129 defines the TRC 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 conservation measures.***[2]

To put it simply, the TRC Test measures the "*avoided monetary cost of supplying electricity*" (**savings**) against the "*monetary cost of energy efficiency conservation measures*" (**costs**). The test is met when the net savings is greater than the net cost.

The purpose of using the TRC test is to ensure that consumers are getting a financial benefit from the energy efficiency and conservation programming, which is funded through ratepayer dollars. As the Commission explained in its Tentative Order:

> The purpose of using a TRC test to evaluate EE&C programs is to *track the relationship between the* ***benefits to customers*** *and the* ***costs incurred to obtain those benefits***. Sections 2806.1(c)(3) and 2806.1(d)(2), as well as the definition of the TRC test in Section 2806.1(m) of Act 129, provide that a TRC test be used to *determine* ***whether ratepayers, as a whole, received more benefits (in reduced capacity, energy, transmission, and distribution costs)*** *than the implementation costs of the EE&C plans*.[3]

Since its implementation of the TRC Test, the Commission has interpreted the phrase "avoided monetary cost of supplying energy" (savings) to include only those costs avoided through the reduction in transmission, distribution, generation, and capacity. The Commission has repeatedly declined to include any societal, environmental, non-energy impacts (NEIs) or non-electric aspects in the calculation of savings. In its Tentative Order regarding the 2016 TRC Test,

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[2] 66 Pa. C.S. § 2806.1(m).
[3] TO at 4 (emphasis added).

the Commission again declined inclusion of these benefits in the TRC test, explaining only that "the statutory language clearly does not call for the inclusion of these items in the TRC Test."[4]

The Commission's interpretation of the savings calculation in the TRC Test does not align with the language in the statute, which is inherently much broader in that it requires the Commission to consider the full, net present value of the avoided monetary cost of supplying electricity. Universal Service programming and uncollectible account recovery make up a significant portion of the overall rate charged to residential customers.[5] These costs are embedded in the rates paid by residential ratepayers for the supply of electricity to their home. So, reducing the cost of uncollectible accounts and Universal Service Programming necessarily translates into "the ***avoided monetary cost of supplying service***" to residential ratepayers.

As the Commission has itself acknowledged, "the definition of the TRC test in Section 2806.1(m) of Act 129, provide that a TRC test be used to determine **whether ratepayers, as a whole, received more benefits** … than the implementation costs of the EE&C plans."[6] In this instance, ratepayers as a whole benefit from reduced universal service program and uncollectible account costs, as it reduces the cost of electricity service to their home.

A report prepared for the California PUC found that monetary benefits may be realized through the relatively simple quantification of billing-related savings, particularly in low income energy efficiency programming:

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[4] Id. at 13-14 (citing 2013 TRC Test Order at 8-9).
[5] See 66 Pa C.S. §§ 2203(6) ("…the commission shall establish for each natural gas distribution company an appropriate nonbypassable, competitively neutral cost-recovery mechanism which is designed to recover fully the natural gas company's universal service and energy conservation costs over the life of these programs."); 2203(17) ("The public purpose is to be promoted by continuing universal service and energy conservation policies, protections and services, and full recovery of such costs is to be permitted through a nonbypassable rate mechanism"); 2804(8)("The commission shall establish for each electric utility an appropriate cost-recovery mechanism which is designed to fully recover the electric utility's universal service and energy conservation costs over the life of these programs.
[6] TO at 4 (emphasis added).

> Utilities can … realize a number of NEBs [Non-Energy Benefits] in the form of financial savings. Energy-efficiency technologies often result in reduced energy bills for participants, which can decrease the likelihood that customers experience difficulties with paying their utility bills. In turn, utilities realize financial savings through reduced costs associated with arrearages and late payments, uncollectible bills and bad debt write-offs, service terminations and reconnections, bill-related customer calls, and the bill collections process. Furthermore, utilities may realize savings from their energy efficiency programs due to a reduction in safety-related emergency calls and reductions in energy that is eligible for a rate discount. [7]

The report found that these types of NEB savings "could be ***monetized*** relatively easily from the literature or from algorithms," and would play an important role in valuation of low income energy efficiency programming.[8]

The costs of providing universal service programs and managing uncollectible accounts present a quantifiable portion of the overall cost to a household to procure electricity. But, implementation of effective energy efficiency and conservation programming has the potential to significantly decrease the cost of universal service programs and uncollectible accounts which are passed through to ratepayers. Thus, it is not only appropriate to include these avoided costs in the TRC, it is a statutorily required necessity that will ensure that low income programs are properly valued to reflect the full range of benefits that the low income programs derive on behalf of all rate payers. By expanding the TRC Test to include consideration of decreased universal service programming and uncollectible account costs, the Commission will set forth a more accurate accounting method for calculating the costs and benefits of particular energy efficiency programs and projects. And, as a result, will be able to make additional progress in providing meaningful savings to low-income customers designed to drive home the deepest, most comprehensive savings.

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[7] Ca. PUC, Addressing Non-Energy Benefits in the Cost-Effectiveness Framework; see also Nat'l Action Plan for Energy Efficiency, Understanding Cost-Effectiveness of Energy Efficiency Programs: Best Practices, Technical Methods, and Emerging Issues for Policy-Makers, at 4.9 (Nov. 2008).
[8] Id. (emphasis added).

CAUSE-PA thanks the Commission for its careful consideration of this important test to ensure that all aspects of monetary savings are properly accounted to ensure continued success of the EE&C programs.

Respectfully Submitted

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