



Via electronic mail - April 27, 2015

**Comments of Northeast Energy Efficiency Partnerships (NEEP)
On Docket No. M-2014-2424864
Act 129 Energy Efficiency and Conservation Programs – Phase III**

Pamela A. Witmer, Commissioner
Pennsylvania Public Utilities Commission
400 North Street, Keystone Building
Harrisburg, P.A. 17120

Dear Commissioner Witmer,

On behalf of Northeast Energy Efficiency Partnerships (NEEP),¹ please accept these comments in response to the Public Utility Commission's ("the Commission") request for comment regarding M-2014-2424864, the Commission's Tentative Implementation Order concerning Phase III of Pennsylvania's Act 129 Energy Efficiency and Conservation Programs ("Tentative Order"). NEEP is a non-profit organization, established in 1996, whose mission is to accelerate energy efficiency in homes, buildings and industry across the Northeast and Mid-Atlantic region. NEEP is one of six Regional Energy Efficiency Organizations (REEOs), as designated by the U.S. Department of Energy, which works in cooperation with the DOE to support states in, among other things, establishing comprehensive energy efficiency programs.

Introduction

In its notice dated March 11, 2015, The Commission has requested public input on its Tentative Order for Phase III of the Act 129 Energy Efficiency and Conservation Programs. We applaud The Commission for its finding in favor of continued implementation of Act 129, as energy efficiency continues to demonstrate its advantages as the least-cost energy resource, both in Pennsylvania, and throughout the country.

The Commission has recommended focusing on several issues within the Tentative Order, and our comments will address these issues first, while afterward providing further recommendations and insights related to the remainder of the Tentative Order.

¹ These comments are offered by NEEP staff and do not necessarily represent the view of NEEP's Board of Directors, sponsors or underwriters.



Responses to The Commission's Questions

1. The Commission requests comment on the recommendation that the EDCs include “at least one comprehensive program for residential and one comprehensive program for non-residential customers,” and whether the Commission should further define what qualifies as a “comprehensive program”.²

Response to the Commission:

We agree with the Commission's recommendation that EDCs implement comprehensive savings programs and must recommend that the Commission issue further guidance on which programs may qualify as comprehensive. As commercial and residential lighting retrofits continue to provide highly cost-effective savings to energy efficiency programs,³ emphasis should be placed on efficiency program strategies that adopt a balanced portfolio, while also ensuring that programs reach as much cost effective energy efficiency as possible within the program funding caps.

Rather than directing exactly how the EDCs should structure their comprehensive programs, the Commission could provide a listing of comprehensive programs structures to choose from. Other states within the region have adopted a wide range of strategies to blend the savings associated with lighting measures with other measures to ensure both depth and breadth of program design.

For example, the Commission could include building energy code training and education programs as a qualifying comprehensive program, since energy codes are a key strategy for addressing total energy usage within a structure. Further, building energy codes present one of the most cost-effective ways of reducing energy consumption in new construction and substantial building renovation. For a framework on how energy code training, education, and enforcement programs may be attributed to an EDC's energy efficiency and conservation program, see NEEP's *Attributing Building Energy Code Savings to Energy Efficiency Programs*.⁴

2. The Statewide Evaluator's Demand Response Potential Study (DR Potential Study) failed to identify any cost-effective peak demand reductions in Pennsylvania Electric Company's service territory. The Commission requests comment on whether the determination that Pennsylvania Electric Company lacks a specific

² Statement of Commissioner Witmer (March 11, 2015)

³ See generally, the NEEP-hosted Regional Energy Efficiency Database, which provides data on efficiency program portfolios throughout the region and identifies residential lighting as a significant percent of savings portfolios throughout the region. Available at: <http://www.neep-reed.org/>

⁴ Northeast Energy Efficiency Partnerships (et.al.) *Attributing Building Energy Savings to Energy Efficiency Programs*. (February 2013) Available at: http://www.neep.org/sites/default/files/resources/NEEP_IMT_IEE_Codes%20Attribution%20FINAL%20Report%2002_16_2013.pdf



peak demand reduction target—but may voluntarily include a demand reduction target—is consistent with the policy goals and statutory requirements of Act 129.⁵

Response to the Commission:

NEEP agrees that Act 129 enables the Commission to direct the EDCs to establish demand response programs, but does not exclude a focus on demand reduction outside of demand response. The energy efficiency and conservation program enabling language within Act 129 states that “the plans adopted in subsection (b) shall reduce peak demand.”⁶

While demand response programs can be an effective tool for the provision of peak demand reductions, there is no language within Act 129 which references demand response as the sole tool for reducing peak demand. In fact, reductions in peak demand that result from energy efficiency can avoid the high costs associated with increased peak capacity needs, and are often targeted by energy efficiency program administrators. Some efficiency programs within the region go as far as providing specific incentives for peak demand reduction goals within a program portfolio, outside the realm of demand response.⁷ In short, NEEP holds that energy efficiency should be the priority for the EDCs under Act 129, but that energy efficiency programs that best work in complement to, or otherwise provide benefits related to, demand reduction strategies should be encouraged to provide relief from high fuel costs associated with peak demand periods.

We agree with the Commission’s decision to transition away from the top 100 hours methodology for demand response curtailments, but urge the Commission to provide greater guidance for the scale and extent of demand response programs under Act 129’s energy efficiency and conservation programs.

Specifically, we encourage clarification around the recommendation that the curtailment events “shall be called for the first six days that the peak hour of PJM’s day-ahead forecast...for an EDC is greater than 96% of the EDC’s PJM summer peak demand forecast for the months of June through September each year of the program.”⁸ This recommendation implies that the demand response program is limited to the 26 hours of greatest load each year, likely leaving cost-effective demand response opportunities on the table, including those that may correspond with high spot-market pricing of resource supplies during winter demand peaks.⁹

⁵ Statement of Commissioner Witmer (March 11, 2015)

⁶ 66 Pa. C.S. § 2806.1(d)(2).

⁷ Narragansett Electric Company, “Energy Efficiency Program Plan for 2015,” November 2014, page 22, available at: <http://www.ripuc.org/eventsactions/docket/4527-NGrid-2015-EEPP%2810-31-14%29.pdf>

⁸ Pennsylvania Public Utility Commission. Docket No. M-2014-2424864. Act 129 Phase III Tentative Implementation Order at 37-38.

⁹ See Generally, PJM News Release: PJM Meets Month-Long Challenges of Cold January. (January 2014) Stating that: “Among the challenges for PJM and its members in maintaining grid reliability during the month were unplanned generator shutdowns from the cold and the stress of extended run times, natural gas curtailments and fuel-oil delivery problems.” Available at:



3. The Commission requests comment on the Tentative Order's recommendation that EDCs augment the 4.5% low-income carve out under Phase I and III of Act 129 by directing that EDCs "obtain a minimum of 5.5% of their total consumption reduction target from the low-income sector, with the additional requirement that no less than 2% of this consumption reduction target be obtained exclusively from direct-installed low-income measures."¹⁰

Response to the Commission:

We applaud the Commission's decision to continue focusing on the low income sector—a unique and traditionally hard-to-reach market—while also acknowledging the impact upon portfolio-wide cost effectiveness. A careful balance can be found here that aligns the low-income carve-out with other programs within the portfolio.

Within this context, we also commend the Commission's recommendation to establish a working group related to multi-family properties, a similarly hard-to-reach market that at times overlaps with the low-income sector. We see great value in convening such a working group, and would refer the Commission to NEEP's recent report entitled *Increasing Energy Efficiency in Small Multifamily Properties in the Northeast: Recommendations for Policy Action* as a resource for working group participants.¹¹

Amongst the many recommendations identified within the report is the suggested creation of "one-stop" energy efficiency retrofit programs similar to the one operated by ACTION-Housing in Southwestern Pennsylvania. Such a program may also satisfy goals associated with the expanded "comprehensive measure" requirement as identified in the Tentative Order.

4. The Commission notes that they look forward to reviewing comments on the above-excerpted focus areas, as well as other issues related to the Tentative Order.¹²

Since we have addressed the suggested focus areas through our above comments we will in the remainder of this document address three other issues of note related to the tentative order including:

- The Governmental/Educational/Nonprofit Carve-Out
- Ensuring Compliance with Consumption and Peak Demand Reduction Requirements
- Remaining Phase II Budget Allocations

The Government/Educational/Nonprofit Carve-Out ("G/E/NP")

The Commission's Tentative Order proposes that EDCs "file an EE&C Plan to obtain a minimum of 3.5% of all EE requirements from the federal, state and local governments, including municipalities, school districts, institutions of higher education, and nonprofit

¹⁰ Statement of Commissioner Witmer (March 11, 2015)

¹¹ Northeast Energy Efficiency Partnerships. *Increasing Energy Efficiency in Small Multi-family Properties in the Northeast: Recommendations for Policy Action*. (April 2014)

¹² Statement of Commissioner Witmer (March 11, 2015)



entities.”¹³ While we agree with the Commission’s belief that it maintains the discretion to make modifications to the carve-out *if no cost-effective savings can be obtained from that sector*, such modifications should comply with the spirit and letter of the enabling legislation, and pursue cost-effective G/E/NP savings to the greatest extent possible.

Enabling language within Act 129 explicitly requires “A minimum of 10% of the required reductions in consumption...shall be obtained from units of Federal, State and local government, including municipalities, school districts, institutions of higher education and nonprofit entities.”¹⁴ While we recognize that cost effective savings within the distribution service territory of Met-Ed will be limited to 3.5 percent of portfolio savings under the current test for cost-effectiveness, we urge the Commission to reconsider their recommendation that Met-Ed’s savings potential be set as the minimum for all EDCs.

For example, on a portfolio-wide basis, Duquesne’s potential incremental savings—which reaches beyond Act 129’s 10 percent requirement—could counter-balance the lack of cost effective savings available to Met-Ed. While savings allotted toward governmental, educational, and nonprofit entities tend to provide clear and direct benefits to the ratepayers, they also provide benefit to the public at large in the form of reduced taxpayer burden. These savings should be a factor for consideration when interpreting Act 129’s language regarding the G/E/NP carve-out.

Ensuring Compliance with Consumption and Peak Demand Reduction Requirements

The Commission recommends within the Tentative Order that “the EDCs submit EE&C Plans that clearly demonstrate annual gains in energy efficiency,” and further defines incremental goals that must be demonstrated within the annual plans at a flat rate of 15% per year, with no penalty for failure to achieve annual incremental goals.¹⁵ As several commenters have noted, a graduated rate increase would allow for a ramp-up of program measures, especially in the context of the “comprehensive programs”. We agree with these commenters.

Remaining Phase II Budget Allocations

The Commission recommends that unspent allocations from Act 129 Phase II budgets should “be refunded back to the appropriate rate classes.”¹⁶ We agree with the Commission that unspent budgets should be refunded back to ratepayers, but assert that the most cost-effective avenue for such a refund would be through continued investment in energy efficiency measures. The statewide evaluator’s report supports this assertion, noting that the

¹³ Pennsylvania Public Utility Commission. Docket No. M-2014-2424864. Act 129 Phase III Tentative Implementation Order, at 62.

¹⁴ 66 Pa. C.S. § 2806.1(b)(1)(i)(b).

¹⁵ Pennsylvania Public Utility Commission. Docket No. M-2014-2424864. Act 129 Phase III Tentative Implementation Order, at 45-46.

¹⁶ Pennsylvania Public Utility Commission. Docket No. M-2014-2424864. Act 129 Phase III Tentative Implementation Order, at 110.



total resource cost (TRC) ratio statewide for the potential achievable savings is 1.88, resulting in almost \$2.00 returned to the ratepayers for every \$1.00 invested beyond the proposed goals.¹⁷

Furthermore, Act 129 explicitly directs that EDCs submit “proposals to implement energy efficiency and conservation measures to achieve *or exceed* the required reductions in consumption.”¹⁸ Refunding unspent Phase II allocations to the ratepayers through further implementation of energy efficiency measures would provide both the most cost-effective conduit for refund, as well as satisfy the intent of Act 129’s enabling language.

Conclusion

NEEP commends the Commission for continuing to support energy efficiency and conservation programs within the Commonwealth of Pennsylvania by shepherding Act 129 into its third phase of implementation.

Please accept these comments in the spirit they are intended: to aid the Commission, and, ultimately, the people of Pennsylvania, in securing a more affordable, reliable, cleaner and sustainable energy future.

Contact information:

Brian D. Buckley
Policy Research and Analysis Associate
Northeast Energy Efficiency Partnerships (NEEP)
91 Hartwell Avenue
Lexington, Mass. 02421
Tel: 781-860-9177, ext. 152
E-mail: BBuckley@NEEP.org

¹⁷ Pennsylvania Public Utility Commission. Energy Efficiency Potential Study for Pennsylvania, at page 7. (February 2015)
Available at: <http://www.puc.pa.gov/pdocs/1345079.pdf>

¹⁸ 66 Pa.C.S. § 2806.1(b)(1)(A)