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Our Energy...Your Power

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Senior Counsel

April 27, 2015

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APR 27 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Ms. Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building, 2nd Floor
400 North Street
Harrisburg, Pennsylvania 17120

RE: 2016 Total Resource Cost (TRC) Test Comments
Docket No. M-2015-2468992

Dear Secretary Chiavetta:

On March 11, 2015, the Commission issued a Tentative Implementation Order seeking comments on the implementation of the 2016 Total Resource Cost Test. Duquesne Light Company's comments regarding the 2016 Total Resource Cost Test are enclosed for consideration.

Should you have any questions, please feel free to contact me or David Defide at (412) 393-6107.

Respectfully,

Tishekia E. Williams
Senior Counsel, Regulatory

Enclosures
cc: Certificate of Service

BEFORE THE

PENSYLVANIA PUBLIC UTILITY COMMISSION

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Energy Efficiency and Conservation	:	
Program	:	**Docket No. M-2015-2468992**
	:	

Comments of Duquesne Light Company on the Commission's 2016 Total Resource Cost (TRC) Test Tentative Implementation Order

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On March 11, 2015, the Pennsylvania Public Utility Commission ("Commission") issued the Tentative Implementation Order ("TRC Tentative Implementation Order") to continue the process of evaluating the Total Resource Cost ("TRC") Test for Phase III of Act 129's Energy Efficiency and Conservation ("EE&C") Programs for electric distribution companies ("EDCs"). In the TRC Tentative Implementation Order, the Commission sought comments on incremental cost reduction targets, peak demand reduction targets, and other requirements set out therein. Pursuant to the March 11, 2015 TRC Tentative Implementation Order, Duquesne Light Company ("Duquesne Light" or "Company") hereby submits its comments regarding the implementation of EE&C TRC Test in Phase III.

Background

Act 129 of 2008 ("Act 129" or the "Act") became effective on November 14, 2008. Among other things, Act 129 requires electric distribution companies ("EDC") with at least 100,000 customers to develop and adopt an EE&C plan to reduce retail customer energy consumption. Specifically, Act 129 requires EDCs to achieve certain consumption reductions spanning over several phases. On June 30, 2009, Duquesne filed its EE&C plan with the

Commission pursuant to Act 129 and related Commission orders. Duquesne's EE&C plan was approved by the Commission on October 27, 2009, with certain modifications. The EE&C plan was further revised by *Petition of Duquesne Light Company for Approval of its Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093217 (Order entered January 28, 2011). On November 15, 2012, Duquesne Light filed its *Petition of Duquesne Light Company for Approval of an Energy Efficiency and Conservation Phase II Plan*, Docket No. M-2012-2334399 ("Phase II EE&C Plan") for the period of June 1, 2013 through May 31, 2016. The Company's Phase II EE&C Plan was approved by the Commission on March 14, 2013 without modification.

Duquesne's EE&C plan includes a broad portfolio of programs targeted at each customer segment and is designed to achieve the consumption and demand reduction requirements established by the Act. Duquesne Light has made significant strides toward achieving its Act 129 goals with programs that are cost effective and achieve significant verified savings with high customer engagement and satisfaction. As the EE&C phases have progressed, the Commission has prescribed additional energy consumption and demand reduction targets for the EDCs. Duquesne Light has been and continues to be an active supporter of the Commission's implementation of Act 129 EE&C programs and appreciates the opportunity to provide meaningful comments on the planning and implementation of the TRC Test. Duquesne Light has considered each issue that has been raised in the TRC Tentative Implementation Order and offers comments on select issues discussed below. Although each issue will not be addressed substantively in these comments, the comments are arranged consistent with the TRC Tentative Implementation Order.

1. Underlying TRC Test Assumptions

The current avoided cost development methodology imposed by the Commission's TRC Tentative Implementation Order is flawed and should not be continued. The combining of electric energy future values with natural gas future values and EIA forecasts does not reflect the avoided cost of electric energy. Natural gas prices peak in the winter, electric energy prices peak in the summer, forecasts so constructed must be created based on averages to eliminate the fuel type countervailing seasonal price signals. Additionally, these cost bases do not reflect available generation resources that can actually deliver energy to the target markets or regional transmission constraints. The Commission should allow EDCs to apply appropriately developed avoided costs for their Act 129 portfolios. Energy efficiency as a resource should be treated as a substitute for displaced generation resources and subject to the same, well defined applicable economic tools and assessments.

2. Net-to-Gross Adjustments

The reporting of net savings estimates is problematic. As required by the Statewide Evaluator ("SWE"), EDCs calculate net savings using methodologies specified by the SWE with which all EDCs did not agree. The SWE, in meetings with the EDCs and their evaluators, has acknowledged that there is substantial disagreement regarding methods to be used in estimating free ridership and spillover, and thus net savings. The SWE's Evaluation Framework characterized net-to-gross estimation as useful when viewed over time to conduct trend analysis or when used for assessment across programs in determining how program net effects differ from one another. The SWE's 2014 Evaluation Framework states that "Using self-reports to measure free-riders and spillover is subject to bias and therefore may not yield an accurate estimate of free-ridership and spillover; this concern supports the PUC's decision that self-report-based NTG should not be used to calculate net savings estimates for compliance purposes. However . . . even if they do not necessarily produce accurate estimates of net savings at any given time, they may be useful in assessing trends over time. Thus, the SWE believes that self-reported assessments of free-ridership and spillover may be useful in assessing changes over time or differences across programs."[1]

The use of the results of these required net-to-gross methods to report net savings suggests that rather than being directional in nature over time or across programs, the numerical results could mistakenly be taken at face value. Duquesne Light is concerned that these net values relied upon by stakeholders when inaccurate. Duquesne Light disagrees with such a requirement primarily because stakeholders and the Commission may view, or come to view, these results as accurate and thus make decisions based on results of research methods with which the EDCs and their evaluators may not agree and which the SWE itself believes may not yield accurate net savings estimates. If the SWE's methodologies are employed and utilized in cost-effectiveness calculations for EE&C plans, there should at least be a significant assumed margin of error around the point estimates that are used. Duquesne Light asserts that a margin of error of approximately 20-30 percentage points would be appropriate. The net savings should not be reported in annual reports; such estimates are misleading, due to the level of uncertainty surrounding them and how they were estimated. Rather, only the net-to-gross results should be reported, as appropriate for use of the results for program planning.

[1] Evaluation Framework for Pennsylvania Act 129 Phase II Energy Efficiency and Conservation Programs, June 1, 2014, p. 68.

3. Measure Life

The TRC Implementation Order references the SWE's opinion "it is inappropriate to calculate load reduction benefits from future years during which no agreement exists between the EDC and a customer for control of the equipment."[2] Such an approach is not consistent with energy efficiency as a whole and constrains EDCs to utilize equipment life and benefits only in one phase, whereas the actual measure life may extend beyond the current phase. Agreement periods are necessarily reliant upon authorization by the Commission, largely outside of the control of Duquesne Light or its customers, thus EDCs should not be hindered from calculating load reduction benefits where measure life extends past the current phase.

Duquesne Light disagrees with the SWE's position as investment in equipment is based on the reasonable assumption that the equipment will be used during and across the equipment's projected useful life. Additionally, an energy efficiency measure with a 15 year measure life does not have its benefit streams truncated so that it only accounts for benefits that accrue within the current authorized performance period. EDC direct load control DR program cost-effectiveness should not be marginalized due to the uncertainties of future Commission decisions. The Commission should ensure equitable treatment of both energy efficiency and DR programs.

[2] 2016 Total Resource Cost (TRC) Test Tentative Order, Docket No. M-2015-2468992, at p. 36.

Conclusion

Duquesne Light appreciates the opportunity to comment on the issues raised regarding the 2016 TRC Test.

Sincerely,

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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. §1.54 (relating to service by a participant).

FIRST CLASS MAIL

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Harrisburg, PA 17105-3265

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Date: April 27, 2015