BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan	:	Docket No. M-2015-2515375

JOINT PETITION FOR FULL SETTLEMENT

TO THE HONORABLE KATRINA DUNDERDALE, ADMINISTRATIVE LAW JUDGE:

I. INTRODUCTION

Duquesne Light Company ("Duquesne Light"), the Office of Consumer Advocate ("OCA"), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Office of Small Business Advocate ("OSBA"), Citizen Power, and the Duquesne Industrial Intervenors ("DII"), parties to the above-captioned proceeding (hereinafter collectively referred to as the "Joint Petitioners"), hereby join in this Joint Petition for Full Settlement and respectfully request that the Pennsylvania Public Utility Commission ("Commission") approve the Settlement as set forth below. This Settlement has been agreed to or not opposed by all active parties to this proceeding.[1]

As set forth fully below, the Joint Petitioners have agreed to a settlement of all issues raised by the parties to this proceeding. The Settlement provides for approval of Duquesne Light's Phase III Energy Efficiency & Conservation ("EE&C") Plan with certain modifications and clarifications as agreed upon by the Joint Petitioners. In support of this Petition, the Joint Petitioners state the following:

II. BACKGROUND

1. Duquesne Light is a public utility as the term is defined under Section 102 of the Public Utility Code, 66 Pa.C.S. § 102, certificated by the Commission to provide electric service in the City of Pittsburgh and in Allegheny and Beaver Counties in Pennsylvania. Duquesne Light is also an electric distribution company ("EDC") and a default service provider as those terms are defined under Section 2803 of the Public Utility Code. 66 Pa.C.S. § 2803.

2. On November 25, 2015, pursuant to Act 129 of 2008 ("Act 129), Duquesne Light filed the above-captioned Petition with the Commission, requesting approval of its Phase III Energy Efficiency and Conservation ("EE&C") Plan. Act 129, which became effective on October 15, 2008, created, *inter alia*, an energy efficiency and conservation program, codified in the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 2806.1, 2806.2. This program required each EDC with at least 100,000 customers to adopt and implement a Commission-approved EE&C Plan. EE&C Plans are programs designed to achieve the Act 129 conservation and peak load reduction requirements, by specified dates, within the specified cost cap.

3. Duquesne Light's Phase III Plan was filed pursuant to the Commission's *Phase III Implementation Order*[2] and *Phase III Clarification Order*[3]. For Duquesne Light, the *Phase III Implementation Order* adopted a consumption reduction target for the five-year Phase III period of 440,916 MWh, and a demand reduction target of 42 MW.[4]

4. Consistent with the requirements set forth in Act 129 and the Commission's *Phase III Implementation Order*, Duquesne Light's Phase III Plan covers the period from June 1,

---

[1] Wal-Mart Stores East, L.P. and Sam's East, Inc. (collectively "Walmart") have indicated that they do not oppose the Settlement.

[2] *Energy Efficiency and Conservation Program*, Docket No. M-2014- 2424864, (Implementation Order entered on June 11, 2015) (*"Phase III Implementation Order"*)

[3] *Energy Efficiency and Conservation Program*, Docket No. M-2014- 2424864, (Clarification Order entered on August 20, 2015)

[4] *Phase III Implementation Order*, at p. 57

2016 through May 31, 2021 and (a) includes measures to achieve or exceed the required reductions and states the manner in which the consumption reductions will be achieved or exceeded; (b) complies with the designated expenditure cap of 2% of 2006 Annual Revenues for each year of the five-year plan; (c) achieves a total cumulative energy reduction of at least 440,916 MWh by May 31, 2021, with at least 15% of the savings compliance target being achieved in each of the five program years; (d) achieves a minimum of 5.5% of the total required reductions from the low-income customer sector by May 31, 2021; (e) achieves a minimum of 3.5% of all consumption reduction requirements from units of federal, state and local governments, including municipalities, school districts, institutions of higher education and non-profit entities ("G/E/NP"); (f) includes a proportionate number of energy efficiency measures for low income households as compared to those households' share of the total energy usage in the service territory; (g) offers at least one comprehensive program for residential customers and at least one comprehensive program for non-residential customers; (h) achieves peak demand reductions of at least 42 MW; (i) includes a contract with one conservation service provider ("CSP"); (j) includes an analysis of administrative costs of the plan; (k) includes a reconcilable adjustment clause tariff mechanism in accordance with 66 Pa.C.S. § 1307; and (l) demonstrates that the Phase III Plan is cost-effective based on the Commission's Total Resource Cost Test ("TRC").

5. In conjunction with the filing of its Phase III EE&C Plan, Duquesne Light filed the Direct Testimony of David Defide explaining the methodology employed to analyze, develop, and implement Duquesne Light's Phase III plan; and the Direct Testimony of William V. Pfrommer detailing Duquesne Light's proposed cost recovery mechanism.

6. On December 10, 2015, the OCA filed its Notice of Intervention and Public Statement in this proceeding.

7. On December 12, 2015, notice of Duquesne Light's Petition was published in the Pennsylvania Bulletin. The notice established a deadline of January 4, 2016 for the filing of comments on, and responsive pleadings to, the Company's Phase III EE&C Plan.

8. This matter was assigned to Administrative Law Judge ("ALJ") Katrina Dunderdale, and on December 15, 2015, a Prehearing Conference Order was issued in this proceeding. The Prehearing Conference Order scheduled a Prehearing Conference for January 6, 2016, and directed the parties to file prehearing conference memoranda on or before January 5, 2016.

9. On December 17, 2015, CAUSE-PA filed a Petition to Intervene in this proceeding.

10. On November 18, 2015, the OSBA filed its Notice of Intervention and Public Statement in this proceeding.

11. On December 30, 2015, CAUSE-PA filed its Comments to the Company's Phase III EE&C Plan.

12. On December 31, 2015, Wal-Mart Stores East, L.P. and Sam's East, Inc. (collectively "Walmart") filed a Petition to Intervene in this proceeding.

13. On January 4, 2016, the OCA and Energy Efficiency for All ("EEFA") filed Comments to the Company's Phase III EE&C Plan. Also on January 4, 2016, Citizen Power and DII filed Petitions to Intervene in this proceeding, and DII filed its Comments to the Company's Phase III EE&C Plan.

14. The Prehearing Conference was held on January 6, 2016, and counsel for all of the active parties to the proceeding participated in the Conference. On January 7, 2016, ALJ Dunderdale issued a Scheduling Order which granted the Petitions to Intervene that were filed prior to the Prehearing Conference and established a litigation schedule for the proceeding. On January 11, 2016 a Revised Prehearing Order was issued, to revise the litigation schedule.

15. In accordance with the litigation schedule, on January 13, 2016 the OCA and CAUSE-PA served written Direct Testimony on the active parties to the proceeding.

16. During the course of this proceeding, Duquesne Light provided responses to interrogatories and requests for production of documents propounded by multiple parties, in addition to providing additional information regarding its Phase III EE&C Plan to the parties during informal discussions.

17. The parties were involved in a number of discussions over the course of the proceeding. As a result of those discussions and the efforts of the Joint Petitioners to examine the issues in this proceeding, a full settlement in principle was achieved by the Joint Petitioners, thereby negating the need for Rebuttal Testimony, evidentiary hearings, and briefs.

18. The parties informed ALJ Dunderdale of the achievement of a full settlement on January 21, 2016, and on January 22, 2016 ALJ Dunderdale issued a second Prehearing Order which suspended the litigation schedule and authorized the submission of evidence and testimony via Stipulation and Affidavit.

19. The Joint Petitioners have agreed to a Settlement with respect to all issues related to Duquesne Light's Phase III EE&C Plan, and the Joint Petitioners are in full agreement that the Settlement is in the public interest and should be approved by the Commission without modification.

20. The Settlement Terms are set forth in the following Section III.

III. SETTLEMENT TERMS

21. The following terms of Settlement reflect a carefully balanced compromise of the interests of all of the Joint Petitioners in this proceeding. The Joint Petitioners agree that the Settlement, as a whole, provides a reasonable resolution of the issues raised by the various parties in the previously submitted Notices of Intervention, Petitions to Intervene, Comments, and Testimony, and that approval of the Settlement is in the public Interest.

22. The Joint Petitioners respectfully request that Duquesne Light's revised Phase III EE&C Plan be approved subject to the terms and conditions of this Settlement as specified below.

23. Duquesne Light will remove the Savings by Design (SBD) residential new construction program in its entirety. Duquesne Light will evaluate the possibility of including a residential new construction program for its Phase IV EE&C Plan.

24. Duquesne Light will reduce the budget for the Residential (non low-income) Home Energy Reports Program from $2,721,589 to $1,985,133.

25. Duquesne Light will reduce the budget for the Low Income Home Energy Report Program from $1,280,218 to $558,141.

26. Duquesne Light will reduce the projected kWh savings attributable to the Low Income Home Energy Report Program from 12,731,450 to 6,788,925.

27. All amounts reduced from the budgets for the Residential (non low-income) Home Energy Reports Program and the Low Income Home Energy Report Program will be added to the Low Income Whole House Retrofit Program (Low Income WHRP), such that the budget for the Low Income WHRP will be increased from $2,871,330 to $5,541,645.

28. Duquesne Light will modify the program description of the Low Income Whole House Retrofit Program (WHRP) to include LEDs and a component for participation by individually metered low income multifamily housing facilities.

29. Duquesne Light will increase the projected kWh savings attributable to the Low Income WHRP from 3,819,435 to 9,761,960.

30. All costs associated with the Low Income WHRP will continue to be allocated to the residential class.

31. All other rate class allocations and budgets proposed in the Plan will remain as originally proposed, but may be modified during the Plan in accordance with the plan change process authorized by the Commission and the requirements of Act 129.

32. The following table shows the effect of the modifications to budgets and projected savings under the Plan:

	Original			Settlement		
Program	**kWh**	**% Low Income**	**Budgets**	**kWh**	**% Low Income**	**Budgets**
Residential						
Savings By Design	409,000		$1,566,598	0		0
Residential Home Energy Reports	24,146,105		$2,721,589	24,146,105		$1,985,133
Low Income						
Low Income Home Energy Reports	12,731,450	50%	$1,280,218	6,788,925	27%	$558,141
Whole House Retrofit	3,819,435	15%	$2,871,330	9,761,960	38%	$5,541,645
Multi-Family Housing Retrofit (Commercial)	8,912,014	35%	$4,254,168	8,912,014	35%	$4,254,168
Total Low Income	**25,462,899**		**$8,405,716**	**25,462,899**		**$10,353,953**

33. Duquesne Light will cooperate with the Pennsylvania Public Utility Commission regarding any necessary modifications to this plan as a result of a change in law, including, but not limited to the potential impact of any modifications to the Public Utility Code. Duquesne Light agrees to collaborate with the parties to this proceeding as necessary to address any such change in law.

34. To the extent Duquesne Light participates in PJM's market, it will comply with the rules for its participation. Additionally, Duquesne Light acknowledges that dual enrolled capacity will require coordination between the Act 129 Conservation Service Providers implementing the Demand Reduction programs and the participating customer's PJM Curtailment Service Provider.

35. For the Low Income Whole House Retrofit Program, Duquesne Light will make readily available a call-in option for customers unable to access the online audit, in addition to the ability to access the program through referrals from LIURP, gas distribution companies, and other Act 129 residential programs.

36. Duquesne Light will conduct a stakeholder meeting with the Housing Alliance of Pennsylvania, PHFA, other interested affordable housing trade groups, and other interested stakeholders within 6 months from the start of Phase III to coordinate and tailor the measures targeted in the development of affordable housing.

37. At least once per year, prior to the commencement of a program year, Duquesne Light will include a review of the content of the Home Energy Reports as an agenda item for a stakeholder meeting. Duquesne Light will consider comments from the stakeholders regarding the content of these reports.

38. Duquesne Light will make a good faith effort to implement a combined EE&C Surcharge for the Small & Medium Commercial Class and Small & Medium Industrial Class prior to the end of Phase III. Duquesne Light will make the appropriate filing to the Commission to implement the change and will notify the parties to this case prior to making that filing.

39. To the extent possible, Duquesne Light agrees to include in its final Phase III annual report, in aggregate, the total number of dual enrolled and the single enrolled participants in the Curtailable Load Program, and the aggregate amount of incentive payments paid to dual enrolled participants and single enrolled participants.

40. Duquesne Light confirms that Figure 39 of the Plan (Figure 37 of the Revised Plan) provides the estimated budget for the Large Non-Residential Upstream Lighting Program. This program targets commercial buildings owners and operators that procure commercial lighting products from commercial lighting equipment distributors. This program is treated as a Commercial program. As planned, the program is funded entirely from the Large Commercial sector surcharge collections. It is the corollary to the Small Nonresidential Upstream Lighting Program that is funded entirely from small commercial sector bill surcharges. Actual program benefits and surcharges will apply to the rate class and customer sector for which the actual program expenditures are made.

41. Duquesne Light confirms that Figure 41 of the Plan (Figure 39 of the Revised Plan) provides the estimated budget for the Public Agency Partnership Program. This program targets governmental buildings and jurisdictional agencies. This program is treated as a Large Commercial program. As planned, the program is funded entirely from the Large Commercial sector surcharge collections. Actual program benefits and surcharges will apply to the rate class and customer sector for which the actual program expenditures are made.

42. With respect to the cost-sharing requirements of the Commercial Multifamily Housing Retrofit Program, Duquesne Light confirms that all property owners and jurisdictional agencies that participate in the program will be required to make a contribution towards the costs of installed measures. Duquesne Light further confirms that Multifamily Housing Retrofit Program costs charged to Commercial customers will not include any expenditures for individually metered customers taking service under a Residential tariff.

43. Duquesne Light further confirms that expenditures within the Multifamily Housing Retrofit Program that are made for individually metered customers residing in multi-family buildings will be recovered in the Residential surcharge, and any associated savings will be credited to the appropriate Residential Program.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

44. This Settlement was achieved by the Joint Petitioners after an investigation of Duquesne Light's proposed Phase III EE&C Plan, including informal and formal discovery and the submission of Comments and Direct Testimony by a number of the Joint Petitioners.

45. Approval of this Settlement will avoid further administrative and possibly appellate proceedings in this case regarding the issues resolved herein, thereby avoid substantial additional costs to the Joint Petitioners, the Commission, and Duquesne Light's customers.

46. Duquesne Light, the OCA, CAUSE-PA, the OSBA, Citizen Power, and DII are in full agreement and respectfully submit that expeditious Commission approval and adoption of the Settlement is in the best interests of all parties and Duquesne Light's customers.

47. The Joint Petitioners have submitted, along with this Settlement Petition, their respective Statements in Support, setting forth the basis upon which each believes the Settlement to be fair, just, and reasonable and therefore in the public interest. The Joint Petitioners'

Statements in Support are attached hereto as Appendices "A" through "F". Walmart's Letter of non-opposition to the Settlement is attached hereto as Appendix "G".

V. CONDITIONS OF SETTLEMENT

48. This Settlement, proposed by the Joint Petitioners to settle the instant case, is made without any admission against, or prejudice to, any position which any Joint Petitioner might adopt during subsequent litigation, including further litigation of this case if this Joint Petition is rejected by the Commission or withdrawn by any of the Joint Petitioners as provided below.

49. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without any modification. If the Commission should disapprove the Settlement or modify the terms and conditions herein, then any Joint Petitioner may withdraw from this Settlement by providing written notice to the Commission's Secretary and all active parties within five (5) business days following entry of any Commission Order modifying the Settlement.

50. In the event that the Commission disapproves the Settlement, or any other Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including, but not limited to, presenting additional testimony, conducting cross-examination, and making legal arguments through submission of Briefs.

51. This Settlement and its terms and conditions may not be cited as precedent in any future proceedings, except to the extent required to implement this settlement.

52. The Commission's approval of the Settlement shall not be construed to represent approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement.

53. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise, and does not necessarily represent the position(s) that would be advanced by any Joint Petitioner in these proceedings if they were fully litigated.

54. This Settlement is being presented only in the context of these proceedings in an effort to resolve the proceedings in a manner which is fair and reasonable. The Settlement is the product of compromise between and among the Joint Petitioners. This Settlement is presented without prejudice to any position that any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of this Settlement.

55. If the Commission adopts the Settlement without modification, the Joint Petitioners waive their individual rights to file Exceptions, requests for modification or clarification, and/or appeals with regard to the Settlement.

56. This Joint Petition may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

VI. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That the Commission approve this Settlement including all terms and conditions thereof, without modification;

2. That Duquesne Light be permitted to implement its proposed Phase III EE&C Plan, as modified by this Settlement; and

3. That the Commission enter an Order consistent with this Settlement.

Respectfully submitted,

For: Duquesne Light Company

Michael A. Gruin, Esquire
Linda R. Evers, Esquire
Elizabeth Ware, Esquire
Stevens & Lee, P.C.
17 North Second Street, 16th Floor
Harrisburg, PA 17101

Adrienne Kurtanich, Esquire
Duquesne Light Company
411 Seventh Ave.
Pittsburgh, PA 15219

Date: 2/9/16

For: CAUSE-PA

Patrick Cicero, Esquire
Joline Price, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101

Date: 2/8/2016

For: Office of Consumer Advocate

Lauren Burge, Esquire
Darryl Lawrence, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101

Date: 2/5/16

For: Office of Small Business Advocate

Elizabeth Rose Triscari, Esquire
Office of Small Business Advocate
Suite 1102 Commerce Building
300 North Second Street
Harrisburg, PA 17101

Date: ____________

For: Duquesne Industrial Intervenors

Pamela C. Polacek, Esquire
Allesandra L. Hylander, Esquire
McNees, Wallace & Nurick
100 Pine St.
PO Box 1166
Harrisburg, PA 17108

Date: ____________

For: Office of Consumer Advocate

____
Lauren Burge, Esquire
Darryl Lawrence, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101

Date:________________

For: Office of Small Business Advocate

Elizabeth Rose Triscari
Elizabeth Rose Triscari, Esquire
Office of Small Business Advocate
Suite 1102 Commerce Building
300 North Second Street
Harrisburg, PA 17101

Date: 2/8/16

For: Duquesne Industrial Intervenors

____
Pamela C. Polacek, Esquire
Allesandra L. Hylander, Esquire
McNees, Wallace & Nurick
100 Pine St.
PO Box 1166
Harrisburg, PA 17108

Date: ____________________

For: Office of Consumer Advocate

____
Lauren Burge, Esquire
Darryl Lawrence, Esquire
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101

Date:________________

For: Office of Small Business Advocate

____
Elizabeth Rose Triscari, Esquire
Office of Small Business Advocate
Suite 1102 Commerce Building
300 North Second Street
Harrisburg, PA 17101

Date: __________________

For: Duquesne Industrial Intervenors

Alessandra L. Hylander
Pamela C. Polacek, Esquire
Alessandra L. Hylander, Esquire
McNees, Wallace & Nurick
100 Pine St.
PO Box 1166
Harrisburg, PA 17108

Date: February 8, 2016

For: Citizen Power

Theodore S. Robinson, Esquire
Citizen Power
2121 Murray Ave.
Pittsburgh, PA 15217

Date: 2/8/16

LIST OF APPENDICES

APPENDIX A

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan	:	Docket No. M-2015-2515375

STATEMENT OF DUQUESNE LIGHT COMPANY
IN SUPPORT OF JOINT PETITION FOR FULL SETTLEMENT

TO THE HONORABLE KATRINA DUNDERDALE, ADMINISTRATIVE LAW JUDGE:

I. INTRODUCTION

Duquesne Light Company ("Duquesne Light" or "Company") hereby submits this Statement in Support of the Joint Petition for Full Settlement in the above-captioned proceeding (the "Settlement") entered into by Duquesne Light, the Office of Consumer Advocate ("OCA"), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Office of Small Business Advocate ("OSBA"), Citizen Power, and the Duquesne Industrial Intervenors ("DII"), parties to the above-captioned proceeding (hereinafter collectively referred to as the "Joint Petitioners").[1] Duquesne Light respectfully requests that the Pennsylvania Public Utility Commission ("Commission") approve the Settlement, including the terms and conditions thereof, without modification.

The Settlement, if approved, with resolve all of the issues raised by the parties to this proceeding. Given the diverse interests of the Joint Petitioners and the active role they have taken in this proceeding, the fact that they have fully resolved their respective issues in this proceeding, in and of itself, provides strong evidence that the Settlement is reasonable and in the public interest. During the course of this proceeding, Duquesne Light provided responses to numerous interrogatories and requests for production of documents propounded by multiple parties. Duquesne Light also provided additional information regarding its Phase III EE&C Plan to the parties during informal discussions. The Settlement reflects a carefully balanced compromise of the interests of all of the Joint Petitioners in this proceeding. The Joint Petitioners unanimously agree that the Settlement resolves all of the issues raised by the various parties in the previously submitted Notices of Intervention, Petitions to Intervene, Comments, and Testimony, and that approval of the Settlement is in the public Interest. For the reasons set forth in the Joint Petition and the reasons set forth below, the Settlement is just and reasonable and should be approved without modification. In support thereof, Duquesne Light states as follows:

II. DUQUESNE LIGHT'S PHASE III EE&C PLAN

On November 25, 2015, pursuant to Act 129 of 2008 ("Act 129), Duquesne Light filed the above-captioned Petition with the Commission, requesting approval of its Phase III Energy Efficiency and Conservation ("EE&C") Plan. Act 129, which became effective on October 15, 2008, created, *inter alia*, an energy efficiency and conservation program, codified in the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 2806.1, 2806.2. This program required each EDC with at least 100,000 customers to adopt and implement a Commission-approved EE&C Plan. EE&C Plans are programs designed to achieve the Act 129 conservation and peak load reduction requirements, by specified dates, within the specified cost cap.

[1] Wal-Mart Stores East, L.P. and Sam's East, Inc. (collectively "Walmart") have indicated that they do not oppose the Settlement.

Duquesne Light's Phase III Plan was filed pursuant to the Commission's *Phase III Implementation Order*[2] and *Phase III Clarification Order*[3]. For Duquesne Light, the *Phase III Implementation Order* adopted a consumption reduction for the five-year Phase III period of 440,916 MWh, and a demand reduction target of 42 MW.[4]

Duquesne Light's Phase III Plan follows the template provided in the September 22, 2015 Secretarial Letter at Docket No. M-2014-2424864. Consistent with the requirements set forth in Act 129 and the Commission's *Phase III Implementation Order*, Duquesne Light's Phase III Plan covers the period from June 1, 2016 through May 31, 2021 and (a) includes measures to achieve or exceed the required reductions and states the manner in which the consumption reductions will be achieved or exceeded; (b) complies with the designated expenditure cap of 2% of 2006 Annual Revenues for each year of the five-year plan; (c) achieves a total cumulative energy reduction of at least 440,916 MWh by May 31, 2021, with at least 15% of the savings compliance target being achieved in each of the five program years; (d) achieves a minimum of 5.5% of the total required reductions from the low-income customer sector by May 31, 2021; (e) achieves a minimum of 3.5% of all consumption reduction requirements from units of federal, state and local governments, including municipalities, school districts, institutions of higher education and non-profit entities ("G/E/NP"); (f) includes a proportionate number of energy efficiency measures for low income households as compared to those households' share of the total energy usage in the service territory; (g) offers at least one comprehensive program for residential customers and at least one comprehensive program for non-residential customers; (h) achieves peak demand reductions of at least 42 MW; i) includes a

[2] *Energy Efficiency and Conservation Program*, Docket No. M-2014- 2424864, (Implementation Order entered on June 11, 2015) (*"Phase III Implementation Order"*)
[3] *Energy Efficiency and Conservation Program*, Docket No. M-2014- 2424864, (Clarification Order entered on August 20, 2015)

contract with one conservation service provider ("CSP"); (j) includes an analysis of administrative costs of the plan; (k) includes a reconcilable adjustment clause tariff mechanism in accordance with 66 Pa.C.S. § 1307; and (l) demonstrates that the Phase III Plan is cost-effective based on the Commission's Total Resource Cost Test ("TRC").

Duquesne Light's Phase III EE&C Plan includes a range of energy efficiency programs that include every customer segment in Duquesne's service territory. These programs are the key components of a comprehensive electric energy efficiency initiative designed to achieve the required 440,916 MWh of reduced energy consumption and the required demand reduction of 42 MW. No party to this proceeding asserted that Duquesne's Plan would not achieve the mandated levels of conservation and demand reduction required by Act 129 and the Commission's *Phase III Implementation Order.* However, several parties proposed selective changes to certain portions of Duquesne Light's Phase III EE&C Plan. It is these proposals that are addressed by the Settlement. Prior to addressing the specific settlement terms, Duquesne Light will detail how its proposed Phase III EE&C Plan comports with Act 129 and the Commission's *Phase III Implementation Order.* To assist with this process, Duquesne Light will use the headings from the common brief outline that was provided to the parties by ALJ Dunderdale in the January 7, 2016 Scheduling Order that was issued in this proceeding.

A. Act 129 Conservation and Demand Reduction Requirements

The required elements of an EDC's EE&C Plan are set forth in Section 2806.1 and 2806.2 of the Public Utility Code, 66 Pa. C.S. §§ 2806.1 and 2806.2, as well as the Commission's *Phase III Implementation Order.* The *Phase III Implementation Order* provides, in pertinent part, that an EDC's filing for Commission approval of an EE&C Plan must provide information regarding the following:

---

[4] *Phase III Implementation Order*, at p. 35, 56

- Compliance with the designated expenditure cap of 2% of the electric distribution company's revenue as of December 31, 2006." 66 Pa. C.S. § 2806.1(g). The Phase III Implementation Order established Duquesne's Light annual spending limit as $19,545,952 for each year of the five-year plan.
- Achievement of a total cumulative energy reduction of at least 440,916 MWh by May 31, 2021, with at least 15% of the savings compliance target being achieved in each of the five program years.
- Achievement of a minimum of 5.5% of the total required reductions from the low-income customer sector by May 31, 2021;
- Achievement of a minimum of 3.5% of all consumption reduction requirements from units of federal, state and local governments, including municipalities, school districts, institutions of higher education and non-profit entities ("G/E/NP");
- That the proportion of measures available to the low-income section is at least 8.40% of the total measures available to all customer sectors;
- That the Plan offers at least one comprehensive program for each customer class;
- That the Plan achieves peak demand reductions of at least 42 MW;
- That the Plan includes a contract with one conservation service provider ("CSP");
- That an analysis of administrative costs of the plan is included;
- That the Plan allocate costs to each of its customer classes that will benefit from the measures to which the costs relate.

- That the Plan includes a reconcilable adjustment clause tariff mechanism in accordance with 66 Pa.C.S. § 1307; and
- That the Plan be cost-effective based on the Commission's Total Resource Cost Test ("TRC").

Duquesne Light's Phase III EE&C Plan satisfies all of the requirements noted above, and the Plan contains all of the information required by the Commission's *Phase III Implementation Order.*

1. Overall Conservation Requirements

The Commission's *Phase III Implementation Order* determined the required consumption targets for each EDC and established guidelines for implementing Phase III of the program. Pursuant to that Order, Duquesne Light is required to achieve a total cumulative energy reduction of at least 440,916 MWh by May 31, 2021, with at least 15% of the savings compliance target being achieved in each of the five program years. Duquesne Light's Phase III Plan, as originally filed, proposed a portfolio of fifteen[5] programs designed to achieve an overall consumption reduction target of 449,734,320 kWh. See, Duquesne Light Phase III EE&C Plan, p. 17. No party raised any issue regarding the Plan's ability to achieve the consumption reduction target.

2. Overall Demand Reduction Requirements

The Commission's *Phase III Implementation Order* required Duquesne Light to achieve additional incremental reductions in peak demand of 42 MW over the final four years of Phase III. Duquesne Light's Phase III EE&C Plan proposes a Demand Management Program (DMP) that will include two sub programs: 1) a direct load control program for residential and/or small

[5] As set forth below, pursuant to the Settlement, Duquesne Light has agreed to remove one of the programs (the Savings By Design New Construction Program), but retains the other fourteen.

commercial and industrial customers; and 2) a large C & I customer curtailment component, in order to achieve a projected peak demand reduction of 44.1 MW. See Phase III EE&C Plan, at pp. 75-79. No party raised any issue regarding the Plan's ability to achieve the demand reduction target.

3. Requirements for a Variety of Programs Equitably Distributed

66 Pa. C.S. § 2806.1(a)(5) provides that the Commission shall implement standards to ensure that each plan includes a variety of energy efficiency and conservation measures and that each plan will provide the measures equitably to all customer classes. In the *Phase III Implementation Order*, the Commission determined all classes of customers will benefit from a general approach because it has the best potential to impact future energy prices, and therefore, did not to require a proportionate distribution of measures among customer classes. Instead, the Commission proposed that each customer class be offered at least one program.

Duquesne Light's Phase III EE&C Plan, as originally filed, included a total of fifteen programs: six programs targeting the residential sector; four programs targeting the small commercial and industrial sector; three programs targeting the large commercial and industrial sector; and two programs specifically targeted to the G/E/NP sector. As set forth below, pursuant to the Settlement, Duquesne Light has agreed to remove one of the programs targeting the residential sector (the Savings By Design New Construction Program), but retains the other five. As such, the Plan includes measures for each of Duquesne Light's customer classes, as required.

4. Government/Non-Profit Requirement

The Phase III Implementation Order, at p. 75, requires that a minimum of 3.5% of the required consumption reductions must come from units of federal, state and local governments, including municipalities, school districts, institutions of higher education and non-profit entities. For Duquesne Light, the 3.5% G/E/NP carve-out equates to 15,432 MWh of reductions. Duquesne Light's Phase III EE&C Plan includes programs, including the Community Education Energy Efficiency Program and the Public Agency Partnership Program, which collectively are designed to obtain over 56,144, MWh of energy savings. This level of projected savings is more than adequate to achieve the 3.5% governmental/educational/nonprofit consumption reduction target. See Phase III EE&C Plan at pp. 70-75.

5. Low Income Program Requirements

66 Pa.C.S. §§ 2806.1(b)(i)(G) provides that an EDC's conservation plan must include specific energy efficiency measures for households at or below that 150% of Federal poverty income guidelines, and the number of such measures must be proportionate to those households' share of the total energy usage in the service territory. The Phase III Implementation Order, at p. 70, requires that a minimum of 5.5% of the required consumption reductions must come from low income customers. For Duquesne Light, the 5.5% low-income carve-out equates to 24,251 MWh of reductions. Duquesne Light's Phase III EE&C Plan includes a number of programs which collectively are designed to obtain 25,463 MWh of energy savings from the low-income sector, which equals 5.5775% of the overall Phase III reduction. See Phase III EE&C Plan at p. 41. Duquesne Light has designed its Phase III EE&C Plan so that the number of measures available to low-income customers exceeds 8.40% of the total measures available to all customer

sectors. Specifically, Duquesne Light's Phase III EE&C Plan as originally filed offered 15 programs overall[6], of which 3 programs are directed to the low-income sector, thereby providing this sector with a proportion of measures in excess of its share of the Company's total load. See Phase III EE&C Plan Section 3.2.6.

6. Comprehensive Program Requirements

The *Phase III Implementation Order*, at p. 61, requires that the EDCs include at least one comprehensive program for residential customers and at least one comprehensive program for non-residential customers in their Phase III Plans. For the residential sector, Duquesne Light's Phase III EE&C Plan includes a Residential Whole House Retrofit Program ("WHRP") which provides resources to residential customers to encourage a comprehensive residential home energy audit, installation of conservation measures, and rebates for a range of eligible measures. For the Small Commercial Section, Duquesne Light's Phase III EE&C Plan includes a Small Commercial Direct Install Program, which is a continuation of a successful program from Phase II and which provides for direct installation of energy efficiency measures as small and medium C&I facilities to produce cost-effective, long term peak demand and energy savings. The Plan also includes the Multifamily Housing Retrofit Program, under which commercial customers will obtain energy efficiency services such as energy efficiency audits, technical assistance for measure level project review and bundling, property aggregation, contractor negotiation and equipment bulk purchasing. See pages 34-37 and 54-59 of Duquesne Light's Phase III EE&C Plan for details regarding these comprehensive programs.

[6] As set forth below, pursuant to the Settlement, Duquesne Light has agreed to remove one of the programs (the Savings By Design New Construction Program), but retains the other fourteen.

B. Cost Issues

1. Plan Cost Issues

Section 2906.1(g) of Act 129 requires that the total cost of any EE&C Plan cannot exceed two percent (2%) of the EDC's total annual revenues as of December 31, 2006. Duquesne Light's Phase III annual budget is $19,545,951.58, and the total five year program spending cap is $97,739,968. These projected costs included incentives, program administration and portfolio administration costs, exclusive of Duquesne Light's share of costs for the Statewide Evaluator. See Section 7.1 of Duquesne Light's Phase III EE&C Plan. See also Duquesne Light Statement 2.0, Exhibit WVP-3. The Company's total cost to implement its Phase III Plan will include the costs incurred to develop its EE&C Plan. See, Phase III EE&C Plan Sections 1.7, 7.2. In the *Phase III Implementation Order*, the Commission found that EDCs should be permitted to recover the incremental cost incurred to design, create, and obtain Commission approval of a plan. *Phase III Implementation Order*, at 135.

After the adjustments made in accordance with the Settlement, Figure 4 of the Duquesne Light's Revised Phase III EE&C Plan will reflect that residential energy efficiency programs comprise 30.1% of the plan cost, or $26,360,333. Commercial energy efficiency programs comprise 52.5% of the plan cost, or $46,070,976. Industrial energy efficiency programs comprise 17.4% of the plan cost, or $15,254,418. The Demand Response programs comprise the remainder of the plan costs, which are $9,739,719.

2. Cost Effectiveness/Cost-Benefit Issues

Under Act 129, the Commission is required to use a Total Resource Cost ("TRC") test to analyze the costs and benefits of EDC energy efficiency and conservation plans. 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." Under Act 129, EDCs must demonstrate that its Phase III EE&C Plan is cost effective using the TRC test. Use of the TRC test was specified in a series of four (4) Commission TRC Orders, issued sequentially, each partially modifying its predecessor.

1. TRC Test Order, June 18, 2009 Docket No. M-2009-2108601
2. TRC Test Order, July 28, 2011, Docket No. M-2009-2108601
3. TRC Test Order, August 20, 2012, Docket No. M-2012-2300653, M-2009-2108601
4. TRC Test Order, June 11, 2015, Docket No. M-2015-2468992

Duquesne Light measured the cost effectiveness of its EE&C Phase III Plan based on all of the applicable provisions of all of these TRC Test Orders. The results of the TRC are expressed as the net present value and benefit/cost ("B/C") ratio. Consistent with the aforementioned TRC Test Orders, a B/C ratio greater than one indicates that the program is beneficial to the utility and its ratepayers on a total resource cost basis. Duquesne Light's proposed EE&C Phase III Plan overall B/C score is 1.9. Accordingly, the Plan is cost effective as a whole. The cost effectiveness of each program measure is discussed in Section 8 of the Phase III EE&C Plan.

No party disputed the overall cost-effectiveness of Duquesne Light's Plan.

3. Cost Allocation Issues

Act 129 requires that all approved EE&C measures be financed by the customer class that receives the direct energy and conservation benefit of such measures. *See* 66 Pa. C.S. § 2806.1(a)(11). Once an EDC has developed an estimate of its total EE&C costs, the EDC is required to allocate those costs to each of its customer classes that will benefit from the measures to which the costs relate. Those costs that can be clearly demonstrated to relate exclusively to measures that have been dedicated to a specific customer class should be assigned solely to that class. Those costs that relate to measures that are applicable to more than one class, or that can be shown to provide system-wide benefits, should be allocated using reasonable and generally acceptable cost of service principles as are commonly utilized in base rate proceedings. Administrative costs should also be allocated using reasonable and generally acceptable cost-of-service principles. See Phase III Implementation Order, at p. 144.

As explained in Section 7.5 of the Phase III EE&C Plan, Duquesne Light proposes to implement five surcharges to recover costs as close as reasonably possible to the customer class receiving the benefit. The costs are first defined for the three specific customer classes – residential, commercial and industrial. Commercial and Industrial ("C&I") customers were separated into small and medium C&I and large C&I customer segments because of the diversity in the size of C&I customers in the Company's service territory to allow for more reasonable cost recovery. Small and medium C&I customers are those customers with monthly metered billing demand 300 kW and less. Large C&I customers are those customers with monthly billing metered demand greater than 300 kW. This segmentation of customers is appropriate because it aligns programs and program costs with the current tariff and with the tariff charges for distribution, transmission and default service supply. See Also Duquesne Light Statement 2.0, at pp. 4-5.

No party raised any issues regarding Duquesne Light's proposed Cost Allocation.

4. Cost Recovery Issues

Act 129 allows all EDCs to recover, on a full and current basis from customers, through a reconcilable adjustment clause under 66 Pa. C.S. §1307, all reasonable and prudent costs incurred in the provision or management of its energy efficiency plan. 66 Pa. C.S. § 2806.1(k)(1). Act 129 also requires that each EDC's plan include a proposed cost recovery tariff mechanism, in accordance with 66 Pa. C.S. §1307 (relating to sliding scale of rates; adjustments), to fund all measures and to ensure a full and current recovery of prudent and reasonable costs, including administrative costs, as approved by the Commission. 66 Pa. C.S. § 2806.1(b)(1)(i)(H). Under the Phase II cost recovery methodology, costs and revenues are reconciled without any interest collected or charged. Revenues are being reconciled to actual costs for some EDCs, while other EDCs reconcile to budgeted costs.

In the *Phase III Implementation Order*, at pp. 149-150, the Commission adopted a plan regarding the transition from the cost recovery methodology utilized during Phase II, ending May 31, 2016, to the cost recovery methodology to be utilized during Phase III, beginning on June 1, 2016. Each EDC must reconcile its total actual recoverable EEC Phase II Plan expenditures incurred through March 31, 2016, with its actual EEC Phase II Plan revenues received through March 31, 2016. The net over- or under-recovered amount shall be reflected as a separate line item of the E factor calculation of the Phase III rates to become effective June 1, 2016. In addition, each EDC should include, as part of the calculation of the Phase III rates to become effective June 1, 2016, as clearly identified separate line items, projections of the: expenses to finalize any measures installed and commercially operable on or before May 31, 2016 (i.e., in April 2016 and May 2016); expenses to finalize any contracts; and other Phase II administrative obligations. The Phase II rate that became effective June 1, 2015 will remain effective through May 31, 2016. The reconciliation period for Phase III will be revised to run from April 1 to March 31 of a given plan year. This reconciliation will reconcile actual expenses incurred with actual revenues received in order to calculate an over or under recovery. Per the *Phase III Implementation Order*, no interest will be charged on over or under recoveries.

Duquesne Light is proposing to continue to use its current EEC Phase II Surcharge to recover the costs remaining for Phase II and recovery of its Phase III EEC Plan costs in accordance with the Implementation Order, with one change. See Duquesne Light Statement No. 2, at pp. 8-9. As previously discussed, the reconciliation period for Phase III will run from April 1 to March 31 of a given plan year instead of June 1 to May 31 in the current EEC Phase II Surcharge. Duquesne Light has the ability to track Phase II revenue and expense separate from Phase III revenue and expense to ensure separate and accurate reconciliation. Any Phase II costs that remain through the end of Phase II on May 31, 2016 will be included and reconciled separately as separate line items in the April 1, 2016 through March 31, 2017 reconciliation period for Phase III.

No party raised any issues regarding Duquesne Light's proposed Cost Recovery Mechanism.

C. CSP Issues

Duquesne Light Phase III Plan implements programs in an effective and economical manner by balancing utility resources with contracted resources. Conservation Service Providers and subcontractors with expertise and experience in program implementation and operations are deployed under agreements with Duquesne Light. Management responsibility for meeting goals still rests with Duquesne Light, working in concert with contractors and subcontractors as outlined in Figure 2 on page 10 of the Plan. Some CSPs will operate as turnkey delivery contractors, while others will provide specific program functions across multiple programs. The Company anticipates submitting its proposed Conservation Service Provider ("CSP") contracts in February 2016. However, an approved CSP contract template is included in the Phase III Plan, at Appendix B.

No party raised any issues with the Company's proposals with respect to CSPs.

D. Implementation and Evaluation Issues

1. Implementation Issues

Section 4 of Duquesne's Phase III Plan explains its program management and implementation strategies. In preparation for Phase III, a series of stakeholder meetings were held to solicit input into the design of the Phase III Plan. Duquesne held ten sessions to solicit input with regard to what has worked well and what could be approved upon or modified in future Watt Choices programs. The sessions held were with the Commission Staff, Office of Consumer Advocate, Office of Small Business Advocate, CAUSE-PA, gas distributions companies, Hospital Association of Pennsylvania, universal services partners, and conservation service providers in the Commonwealth[7]. See Duquesne Light Statement No. 1, at p., 9. As confirmed in the Settlement, Duquesne Light will continue to hold annual stakeholder meetings during the implementation of Phase III.

2. Quality Assurance Issues

A detailed description of Duquesne Light's Quality Assurance/Quality Control process and standards is provided in Section 6.1 of the Phase III Plan. All CSPs under contract to implement Duquesne Light energy efficiency programs are required by contract statements of

---

[7] The Duquesne Light Industrial Intervenors were also invited to attend stakeholder meetings.

work to provide a Program Management Plan ("PMP"). The PMP presents the program rationale, assumptions, approach, processes, and other key material in an integrated form. Procedures are in place to ensure prospective projects receive appropriate and consistent review prior to approval and incentive payment processing. Residential incentive application processing is accomplished via fulfillment services provided by a fulfillment contractor. This is comprised of verification to ensure the customer is a Duquesne Light customer, the product information is correct, and the product is eligible under the program to receive incentives, and; invoices corroborate product identification and are dated within the eligible program period. Commercial and industrial (C&I) project and customer incentive processing varies depending upon the type and size of the project.

No party raised any issues with Duquesne Light's Quality Assurance proposals.

3. Monitoring and Reporting Issues

Duquesne Light's Program Management and Reporting System (PMRS) provides information reported to the Commission's appointed Act 129 EE&C Statewide Evaluator (SWE). Program activity reports are provided in form and format specified by the SWE pursuant to SWE semiannual, annual and numerous ad hoc data requests. See Phase III Plan, Section 5.

No party raised any issues with Duquesne Light's Monitoring/Reporting proposals.

4. Evaluation Issues

The proposed Phase III Plan includes procedures to measure, evaluate, and verify performance of the programs and the Plan as a whole. As explain in Section 6.1.2 of the Plan, projects and measure reported savings are verified pursuant to the Duquesne Light Evaluation Measurement and Verification (EM&V) Plan. The EM&V Plan ensures customer projects are verified according to a consistent and systematic process that is consistent with the Statewide

Evaluator's (SWE) Audit Plan and Evaluator's Framework for Pennsylvania Act 129 Energy Efficiency and Conservation Programs (Audit Plan). The Duquesne Light EM&V Plan specifies sample plans as well as applicable verification rigor consistent with the Audit Plan and is vetted with and, approved by the SWE.

No party raised any issues with respect to Duquesne Light's Evaluation proposals.

E. Other Issues

Section 9 of Duquesne Light's Phase III EE&C Plan explains how the Plan meets all other applicable compliance requirements. Duquesne Light's Phase III Plan ensures that no more than two percent of funds available to implement the Plan shall be allocated for experimental equipment or devices. The Company's Phase III Plan will be competitively neutral to all distribution customers even if they are receiving supply from an EGS. The Plan does not discriminate on the basis of generation supply nor does it provide additional opportunities based on the specifics of a customer's generation supply. In addition, the Plan explains how it will lead to long-term, sustainable energy efficiency savings in the EDC's service territory and in Pennsylvania, leverage and utilize other financial resources, how consumer education will be addressed, and how lists of all eligible federal and state funding programs will be made available to ratepayers for energy efficiency and conservation.

III. SETTLEMENT TERMS AND PLAN MODIFICATIONS

A. Low-Income Issues

CAUSE-PA and OCA both raised concerns with the effectiveness of the Low-Income Home Energy Reports Program. Both CAUSE-PA witness Miller[8] and OCA witness Sherwood[9]

[8] See CAUSE-PA Statement No. 1, at pp. 18-20

expressed concern regarding whether the Low-Income Home Energy Reports Program would achieve the projected savings level. But as Mr. Miller stated, there is no doubt the Home Energy Report programs show savings at the aggregate level. Behavioral programs such as the Home Energy Reports Program are among the leading edge in the evolution of energy efficiency and viable options for energy utilities to achieve mandated savings targets. Energy utilities nationally, and Duquesne Light directly, have proven the approach benefits the low income sector and constitutes a cost-effective means to benefit this hard-to-reach sector.

CAUSE-PA and OCA also both believe that Low Income Whole House Retrofit Program is a beneficial program that has the potential to provide "very real benefits to low-income families"[10], but both provided some suggested changes to the Program. CAUSE-PA advocated for expanding the Low Income Whole House Retrofit Program budget significantly, and both CAUSE-PA and OCA also advocated for expanding the program to allow participation by individually metered low income multifamily housing facilities.

In response to the suggestions raised by OCA and CAUSE-PA, Duquesne Light has agreed to significant modifications to the Low-Income Home Energy Reports Program and the Low Income Whole House Retrofit Program. Under the terms of the Settlement, Duquesne Light will:

- reduce the budget for the Residential (non low-income) Home Energy Reports Program from \$2,721,589 to \$1,985,133,
- reduce the budget for the Low Income Home Energy Report Program from \$1,280,218 to \$558,141.

---

[9] See OCA Statement No. 1, at p. 13
[10] See CAUSE-PA Statement 1.0, at p. 20, line 4

- reduce the projected kWh savings attributable to the Low Income Home Energy Report Program from 12,731,450 to 6,788,925.

See Settlement, ¶¶ 24-26. All amounts reduced from the budgets for the Residential (non low-income) Home Energy Reports Program and the Low Income Home Energy Report Program will be added to the Low Income Whole House Retrofit Program (WHRP), such that the budget for the WHRP will be increased from $2,871,330 to $5,541,645. Settlement ¶ 27. Duquesne Light will also modify the program description of the Low Income Whole House Retrofit Program to include LEDs and a component for participation by individually metered low-income multifamily housing facilities. Settlement ¶ 28. Duquesne Light will increase the projected kWh savings attributable to the Low Income WHRP from 3,819,435 to 9,761,960. Settlement ¶ 29.

In response to some additional suggestions by CAUSE-PA[11], Duquesne Light has confirmed that for the Low Income Whole House Retrofit Program, a call-in option will be made readily available for customers unable to access the online audit, which will supplement the existing ability to access the program through referrals from LIURP, gas distribution companies, and other Act 129 residential programs. Settlement ¶ 35. Duquesne Light also agreed to conduct a stakeholder meeting with the Housing Alliance of Pennsylvania, PHFA, other interested affordable housing trade groups, and other interested stakeholders within 6 months from the start of Phase III to coordinate and tailor the measures targeted in the development of affordable housing. Settlement ¶ 36. Duquesne Light also agreed will include a review of the content of the Home Energy Reports as an agenda item for a stakeholder meeting prior to the commencement of each program year, and which the Company will consider comments from the stakeholders regarding the content of these reports. Settlement ¶ 37.

[11] See CAUSE-PA Statement 1.0, at p. 23

Duquesne Light believes that each of these modifications to the low-income programs significantly address the concerns raised by the parties to the proceeding, and will improve the overall performance of the programs.

B. Small Commercial Issues

Both CAUSE-PA and OCA made some suggestions regarding the Multifamily Housing Retrofit Program, which is one of the programs in the Small Commercial portfolio. CAUSE-PA suggested expanding the Multifamily Housing Retrofit Program to make measures under the Program available to individually-metered units[12], and OCA raised some issues regarding making measures available to smaller multifamily units and privately owned units of subsidized housing.[13]

With respect to the size of units that can participate in the Program, Duquesne Light's Phase III Plan as originally submitted does not place any minimum size restriction on participation in the Multifamily Housing Retrofit Program. In Act 129 Program Year 6 (June 1, 2014 to May 31, 2015) the MFRP served 195 facilities with a total of 3201 dwelling units, rendering an average building size of 16 units. The planning basis for Duquesne Light's EE&C Plan and basis for Duquesne Light's reported multifamily housing stock at Plan Figure 7 (page 19 of 162) is four units of more in census data of Allegheny and Beaver Counties. As such, there is no need for any modification to the Plan regarding the size of facilities that are eligible to participate in the Multifamily Housing Retrofit Program.

With respect to the issues of individually metered units being eligible to participate in the Multifamily Housing Retrofit Program, it should be noted that Duquesne Light's proposed residential Whole House Retrofit Program and Low Income Whole House Retrofit Program

[12] See CAUSE-PA Statement 1.0, at p. 25
[13] OCA Statement No. 2, at pp. 5-6

serve individually-metered (residential) customers that would not eligible be to participate in the small commercial Multifamily Housing Retrofit Program as planned and proposed. However, in order to address CAUSE-PA's concerns, Duquesne Light has agreed to add a component to the Multifamily Housing Retrofit Program to allow participation by individually metered units. Settlement at ¶28. To allay any of OSBA's concerns with this change, Duquesne Light confirms that Multifamily Housing Retrofit Program costs charged to Commercial customers will not include any expenditures for individually metered customers taking service under a Residential tariff. Settlement at ¶43. Also, with respect to the cost-sharing requirements of the Commercial Multifamily Housing Retrofit Program, Duquesne Light confirms that all property owners and jurisdictional agencies that participate in the program will be required to make a contribution towards the costs of installed measures. Settlement at ¶42.

The Settlement also contains a commitment that impacts that Small Commercial Sector, which Duquesne Light believes is warranted based on informal feedback received from the OSBA. As confirmed in paragraph 38 of the Settlement, Duquesne Light will make a good faith effort to implement a combined EE&C Surcharge for the Small & Medium Commercial Class and Small & Medium Industrial Class prior to the end of Phase III. Duquesne Light will make the appropriate filing to the Commission to implement the change and will notify the parties to this case prior to making that filing.

C. Residential Issues

OCA witness Stacy Sherwood concluded that Duquesne Light's EE&C Plan is reasonable and well-balanced, meets or exceeds all of the Commission's requirements for Phase III EE&C Plans, and is cost-effective.[14] Her Testimony also indicates that she believes that the

[14] See OCA Statement No. 1, at pp. 6-10

proposed plan is achievable based on Duquesne Light's prior program performance.[15] Nonetheless, her testimony includes several suggestions related to the Residential Energy Efficiency Rebate Program (REEP) and the Savings By Design New Construction Program (SBD).

With respect to the REEP, Ms. Sherwood believes that increasing the rebate amount for more expensive items, and eliminating rebates for other items.[16] With respect to the Savings By Design New Construction Program, Ms. Sherwood recommends eliminating the Program altogether due to low projected energy savings, and reallocating the funds proposed for the SBD Program to other proposed programs. [17]

Based upon Duquesne Light's analysis, which included significant research into the EDC rebates across the Commonwealth as well as best practices from across the country, the Company determined that it was not practical to make the REEP rebate adjustments recommended by OCA.

With respect to the Savings By Design ("SBD") Program, it should be noted that Duquesne Light's Phase I EE&C Plan did not include a new construction program, because at the time the economy and new housing starts within its territory did not warrant such as program. During Phase II, the OCA suggested that a new construction plan should be implemented, so Duquesne Light included the SBD Program in its Phase III EE&C Plan. Nonetheless, in response to Ms. Sherwood's concerns about the Program, Duquesne Light has agreed to remove the SBD Program from the Phase III Plan, and move the funds budgeted for the Program into the Low-Income Whole House Retrofit Program. The parties agree that that expenditures within the Multifamily Housing Retrofit Program that are made for individually metered customers residing

[15] See OCA Statement No. 1, at p. 9
[16] See OCA Statement No. 1, at pp. 10-11

in multi-family buildings will be recovered in the Residential surcharge, and any associated savings will be credited to the appropriate Residential Program. Settlement, ¶ 43.

D. Large Commercial/Industrial Issues

The Duquesne Industrial Intervenors ("DII") did not submit any testimony in this proceeding, but in Comments filed in response to Duquesne Light's Phase III Plan, the DII raised some legal and policy issues regarding Demand Response. In response to those issues, the Settlement confirms that Duquesne Light will cooperate with the Pennsylvania Public Utility Commission regarding any necessary modifications to this plan as a result of a change in law, and to collaborate with the parties to this proceeding as necessary to address any such change in law. Settlement, ¶ 33. The Settlement also confirms that to the extent Duquesne Light participates in PJM's market, it will comply with the rules for its participation, and Duquesne Light acknowledges that dual enrolled capacity will require coordination between the Act 129 Conservation Service Providers implementing the Demand Reduction programs and the participating customer's PJM Curtailment Service Provider. Settlement, ¶ 34. Also, to the extent possible, Duquesne Light agrees to include in its final Phase III annual report, in aggregate, the total number of dual enrolled and the single enrolled participants in the Curtailable Load Program, and the aggregate amount of incentive payments paid to dual enrolled participants and single enrolled participants. Settlement, ¶ 39. Duquesne Light believes that these clarifications are consistent with the current law and policy regarding Demand Response, as well as the Commission's requirements for Demand Response programs under Act 129 and the *Phase III Implementation* Order.

---

[17] See OCA Statement No. 1, at p. 12

E. Impact of Settlement Modifications on Phase III Plan Budget, Energy Consumption Reduction and Cost-Effectiveness.

In conjunction with the filing of the Joint Settlement Petition, Duquesne Light is filing a revised Phase III EE&C Plan which incorporates the revisions agreed to in the Settlement. The overall budgets and consumption reduction estimates are not affected by the Settlement, but the budgets and energy reduction estimates of certain individual programs are modified. The following table shows the effect of the modifications to budgets and projected savings under the Plan:

	Original			Settlement		
Program	**kWh**	**% Low Income**	**Budgets**	**kWh**	**% Low Income**	**Budgets**
Residential						
Savings By Design	409,000		$1,566,598	0		0
Residential Home Energy Reports	24,146,105		$2,721,589	24,146,105		$1,985,133
Low Income						
Low Income Home Energy Reports	12,731,450	50%	$1,280,218	6,788,925	27%	$558,141
Whole House Retrofit	3,819,435	15%	$2,871,330	9,761,960	38%	$5,541,645
Multi-Family Housing Retrofit (Commercial)	8,912,014	35%	$4,254,168	8,912,014	35%	$4,254,168
Total Low Income	**25,462,899**		**$8,405,716**	**25,462,899**		**$10,353,953**

The overall TRC score of the Plan remains unchanged as a result of the Settlement modifications.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

It is the Commission's policy to encourage settlements. 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case, and they also conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa.Code § 69.401. In order to accept a settlement, the Commission must review proposed settlements to determine whether the terms are in the public interest. *Pa. Pub. Util. Comm'n LBPS v. PPL Utilities Corporation*, M-2009-2058182 (Opinion and Order November 23, 2009); *Pa. Pub. Util. Comm'n v. Philadelphia Gas Works*, M-00031768 (Opinion and Order January 7, 2004); 52 Pa. Code § 69.1201; *Warner v. GTE North, Inc.*, Docket No. C-00902815 (Opinion and Order entered April 1, 1996); *Pa. Pub. Util. Comm'n v. CS Water and Sewer Associates*, 74 Pa. PUC 767 (1991).

For the reasons stated in the Settlement Petition and this Statement in Support, Duquesne Light respectfully submits that the Joint Petition for Full Settlement is just, reasonable, and in the public interest, and therefore should be approved without modification. Duquesne's Phase III EE&C Plan meets all of the requirements of Act 129 and *the Commission's Phase III Implementation Order*, and over the course of the five-year program, the Plan will achieve the required energy reduction and demand reduction results with a budget that meets the applicable spending cap. The modifications to the Plan made by this Settlement address legitimate concerns of the parties to this proceeding and will improve the overall performance of the Plan.

This Settlement resolves all issues raised during this complex proceeding and avoids the need for evidentiary hearings and briefs. For the reasons state above, and those set forth in the Settlement Petition, the resolution of this proceeding in accordance with the terms of the

Settlement in the public interest. As such, Duquesne Light believes that the Settlement should be approved and adopted by the Commission without modification.

Respectfully submitted,

Michael A. Gruin, Esq.
PA. I.D. No. 78625
Stevens & Lee, P.C..
17 North Second Street, 16th Floor
Harrisburg, PA 17101
Phone: 717-255-7365
Fax: 610-988-0852
Email: mag@stevenslee.com

Linda R. Evers, Esq.
PA I.D. No. 81428
Stevens & Lee, P.C..
111 N. Sixth Street, PO Box 679
Reading, PA 19601
Phone: 610-478-2265
Fax: 610-988-0855
Email: lre@stevenslee.com

Adrienne D. Kurtanich, Esq.
Duquesne Light Company
411 Seventh Avenue
Pittsburgh, PA 15219
Phone: 412-393-1482
AKurtanich@duqlight.com

Counsel for Duquesne Light Company

APPENDIX B

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA IN SUPPORT OF THE JOINT PETITION FOR FULL SETTLEMENT OF ALL ISSUES

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), one of the signatory parties to the Joint Petition for Full Settlement of All Issues ("Joint Petition" or "Settlement"), finds the terms and conditions of the Settlement to be in the public interest and, through its counsel at the Pennsylvania Utility Law Project, submits this statement in support.

I. Introduction

CAUSE-PA is an unincorporated association of low-income individuals that advocates on behalf of its members for policies and practices enabling consumers of limited economic means to connect to and maintain affordable electric, natural gas, water, 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. Weatherization assistance and energy efficiency and conservation are essential tools for low-income households seeking to achieve energy affordability.

On November 25, 2015, Duquesne Light Company ("Duquesne" or "the Company") filed a Petition for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan ("Phase III Plan" or "Plan") with the Pennsylvania Public Utility Commission ("Commission" or "PUC") in compliance with 66 Pa. C.S. § 2806.1(b) (relating to energy efficiency and conservation programs) and in accordance with the Commission's Energy Efficiency and Conservation Program Implementation Order, entered on June 19, 2015, at Docket No. M-2014-2424864 ("Phase III Implementation Order"). Notice of Duquesne's plan filing was published in the Pennsylvania Bulletin on December 12, 2015, 45 Pa.B. 7078. On December 17, 2015, CAUSE-PA submitted a Petition to Intervene in the instant proceeding was granted intervenor status on January 7, 2016 by Order of the Administrative Law Judge. Throughout these proceedings, CAUSE-PA has actively participated in discovery, the submission of testimony through its witness Mitchell Miller, and the negotiations regarding the settlement provisions set forth in the Joint Petition for Settlement.

CAUSE-PA intervened in this case to ensure that the proposed Act 129 Phase III Energy Efficiency and Conservation Plan effectively serves low-income[1] customers to meet energy savings targets. Specifically, CAUSE-PA has addressed, among other issues, whether the proposed Phase III EE&C Plan properly ensures that the low-income population, as defined in Act 129, is correctly targeted; whether those low-income customers obtain a share of the total energy savings that is in accord with the Commission's June 19, 2015 Order; and whether the measures employed, and methods of coordination and education, are appropriate and consistent with the requirements of Act 129 and Commission Orders.

This Settlement reflects a compromise on the issues presented within this proceeding and does not reflect the attainment of all of the positions advanced by CAUSE-PA as to those issues;

[1] Act 129 defines low-income as households at or below 150% of the federal poverty income guidelines. 66 Pa. C.S. § 2806.1(b)(1)(i)(G).

however, it represents an agreement which is fair and reasonable, avoids the necessity for further administrative and appellate proceedings and uncertainty of outcome those proceedings, and arrives at a negotiated outcome regarding the issues settled. All of this is in the public interest.

The Settlement provides for the approval of Duquesne Light's revised Phase III EE&C Plan with certain clarifications and modifications to specific energy efficiency programs, including an increased focus on direct install programs for Duquesne's low-income customers. In addition, the Settlement provides for energy savings from affordable multifamily buildings and tenants, as well as coordination between Duquesne and the affordable housing community.

II. Reasons for CAUSE-PA Support of the Joint Petition

Section III of the Petition sets out the specific settlement provisions. Many of these provisions address issues presented in testimony and negotiated by the parties concerning aspects of Duquesne's Act 129 Phase III Plan affecting low income customers. The resolution of these issues, through this settlement, furthers the goals of Act 129 and Commission Orders regarding the energy efficiency and conservation services and measures to be provided to low- income households within Duquesne service territory and is in the public interest.

<u>Reduced Reliance on Home Energy Reports</u>

In paragraph 27, Duquesne agrees to increase the budget for the Low Income Whole House Retrofit Program, from $2,871,330 to $5,541,645. This increase is possible due to a decrease in the budgets of the Residential and Low Income Home Energy Reports programs, as set forth in paragraphs 24 and 25. Duquesne's commitment in these paragraphs to shift savings targets away from an indirect measure, and to focus more intently on driving savings from direct installation programs, is a critical feature of the Settlement, and is consistent with the Commission's stated priority in Phase III for enhanced direct installation measures for low income households: "The Commission believes that low-income savings should primarily come from measures that are directly provided to low-income households."[2]

In his testimony, CAUSE-PA Witness Mitchell Miller addressed Duquesne's proposed Low Income Home Energy Report program, expressing concern that Duquesne's Phase III plan relied too heavily on those reports for low-income sector energy savings, rather than direct install measures for individually metered low-income households that, he believed, "provide durable and tangible bill savings for low-income bill payers."[3] By increasing its investment in direct-install measures and moving away from a reliance on Home Energy Reports, Duquesne will be able to provide more low-income households with direct, energy-saving measures that will have a long term impact on energy affordability for those households, such as lightbulb replacement, refrigerator replacement, and insulation.

CAUSE-PA witness Miller also raised specific concerns about the ability of Home Energy Reports to have a long-term impact on a low-income customer's bill. Specifically, he expressed doubts that low income households have the same ability to reduce usage as do moderate and upper income customers – many low-income households "must make greater use of their heating or cooling appliances, not out of ignorance of the consequences to their bill, but rather out of necessity to keep their homes adequately heated or cooled because their building is not weather-tight or the heating/cooling system is deficient or both."[4] Low-income customers often lack the resources to pay for all of their essential needs like rent, food, water and medicine.[5] This settlement is a step in the right direction, moving money away from Home Energy Reports and into directly installed

[2] Phase III Implementation Order at 69-70.
[3] CAUSE-PA Statement No. 1 at 9:16-19.
[4] CAUSE-PA Statement No. 1 at 16:18-20 – 17:1.
[5] CAUSE-PA Statement No. 1 at 16.

measures that will assist low-income households in achieving actual, measurable energy savings that lead to bill savings. For those reasons, the reduction in budget and savings targets for Low Income Home Energy Reports in paragraph 25 of the Joint Petition is essential to ensuring that low income programs drive meaningful bill discounts and enhance household control over energy savings.

In addition, CAUSE-PA witness Miller expressed concerns that the Home Energy Reports proposed in Duquesne's Plan were not sufficiently tailored to low income customers, especially customers receiving bill support through Duquesne's Customer Assistance Program (CAP).[6] Paragraph 37 of the Joint Petition requires Duquesne to host an initial and annual follow-up meetings to gather and consider recommendations for messaging to drive home energy report participants to engage in other residential energy efficiency and conservation programs. This provision further enhances the focus on direct installation by ensuring that home energy reports, which alone produce limited lifetime energy or bill savings,[7] are leveraged to achieve long-term savings through participation in programs which offer deeper, more lasting bill and energy saving impacts.

Increased Reliance on and Clarification of Low Income Whole House Retrofit Program

As discussed above in paragraph 27, Duquesne agrees to increase the budget for the Low Income Whole House Retrofit Program, from $2,871,330 to $5,541,645. Duquesne also makes two critical clarifications in paragraphs 28 and 35 of the Joint Petition. In paragraph 28, Duquesne clarifies that low-income residents in multifamily buildings on individual meters will have access to the residential Low Income Whole House Retrofit Program. As such, all low-income residents of multifamily housing in Duquesne territory will have access to impactful, direct-install

[6] CAUSE-PA Statement No. 1 at 18–19.
[7] CAUSE-PA Statement No. 1 at 17–18.

measures.[8] CAUSE-PA witness Miller generally supported the Low Income Whole House Retrofit Program, with the caveat that it should be expanded, as it has been in this settlement.[9]

Further, in paragraph 35, Duquesne commits to making a call-in option available for the Low Income Whole House Retrofit Program, in addition to an online audit, for those customers unable to easily access the internet. CAUSE-PA witness Miller expressed concern about how or if customers without internet access or with inconsistent internet access would be able to access the Program, which in the Plan required an online audit.[10] With the addition of a call-in option, low-income customers – who often lack access to internet services - will have greater access to the Low Income Whole House Retrofit Program.

<u>Enhanced Multifamily Housing Retrofit Program</u>

In its Phase III Implementation Order, the Commission emphasized the importance of energy efficiency programming for affordable multifamily homes, and noted that enhanced programming for affordable multifamily buildings was supported unanimously amongst stakeholders.[11] The Commission ultimately chose not to adopt a specific savings target for multifamily housing in Phase III, but nonetheless encouraged EDCs to offer programming for multifamily buildings as part of their Phase III portfolio. The availability of direct installation programming for affordable multifamily housing has multifaceted and far-reaching benefits for all customer segments. According to CAUSE-PA witness Miller, "[a] comprehensive multifamily program must be designed to provide impacts to low-income tenants in all multifamily buildings,

[8] <u>See</u> CAUSE-PA Statement No. 1 at 28.
[9] CAUSE-PA Statement No. 1 at 20.
[10] CAUSE-PA Statement No. 1 at 23.
[11] Phase III Implementation Order at 76-77.

whether units are individually metered/tenant-paid, or master metered/owner-paid . . . ."[12] As discussed above, Duquesne commits in the settlement to allowing individually-metered units to get services through the Low Income Whole House Retrofit Program. With the commercial Multifamily Housing Retrofit Program, which will serve master-metered buildings and master-metered common areas, this will allow Duquesne and its CSPs to comprehensively serve affordable multifamily buildings.

Paragraph 36 of the Joint Petition requires the Companies to host a stakeholder meeting with the Pennsylvania Housing Alliance and other interested stakeholders, which will allow real-time adjustments to the programming based on a multitude of stakeholder input. Together, these provisions of the settlement will help to streamline and leverage existing infrastructure and networks to effectively design and deliver meaningful programming to affordable housing providers across the First Energy service territory.

III. Conclusion

The Joint Petition avoids extended litigation with potentially uncertain outcome, actively addresses low-income concerns, and satisfies the Commission's requirements of Act 129 Phase III in regard to those matters.

The Joint Petitioners arrived at the settlement after a number of meetings, discussions, discovery and extensive negotiations. The settlement terms and conditions constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the settlement is consistent with the commission's rules and practices encouraging negotiated settlements (see 52 Pa. Code §§ 5.231, 69.391, and 69.401).

[12] CAUSE-PA Statement No. 1 at 25:4-6.

WHEREFORE, CAUSE-PA submits this Statement of Support and respectfully requests that this Honorable Commission find the settlement to be in the public interest and approve the settlement as set forth in the Petition for Settlement its entirety without modification.

Respectfully submitted,

PENNSYLVANIA UTILITY LAW PROJECT
Counsel for CAUSE-PA

Joline Price, Esq., PA ID: 315405
Patrick M. Cicero, Esq., PA ID: 89039
Elizabeth R. Marx, Esq., PA ID: 309014
118 Locust Street | Harrisburg, PA 17101
Tel.: 717-236-9486 | Fax: 717-233-4088
pulp@palegalaid.net

February 8, 2016

APPENDIX C

Appendix C

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company	:	
for Approval of its Act 129 Phase III	:	Docket No. M-2015-2515375
Energy Efficiency and Conservation Plan	:	

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On November 14, 2008, Act 129 of 2008 (Act 129) became effective. Act 129 contained a requirement for the Pennsylvania Public Utility Commission (Commission) to implement an Energy Efficiency and Conservation Program for Electric Distribution Companies (EDCs) with more than 100,000 customers. See 66 Pa. C.S. § 2806.1, et seq. On January 15, 2009, the Commission adopted an Implementation Order establishing the specific standards that the EDCs' Energy Efficiency and Conservation (EE&C) plans for the period June 1, 2009 through May 31, 2013 were required to meet. See Energy Efficiency and Conservation Program, Docket No. M-2008-2069887 (Order Entered Jan. 16, 2009) (Phase I). On August 2, 2012, the Commission adopted a second Implementation Order establishing the next phase of the EE&C program for the period June 1, 2013 through May 31, 2016. See Energy Efficiency and Conservation Program, Docket No. M-2012-2289411 (Order Entered Aug. 2, 2014) (Phase II). The seven largest EDCs—PECO Energy Company (PECO), PPL Electric Utilities, Inc. (PPL), the

FirstEnergy Companies (Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power Company), and Duquesne Light Company – developed and implemented plans in Phases I and II of the EE&C programs.

On June 19, 2015, the Commission entered its Phase III Implementation Order, adopting EDC-specific targets for reducing energy consumption for the Phase III EE&C Program term (June 1, 2016 - May 31, 2021). Energy Efficiency and Conservation Program Implementation Order, Docket No. M-2014-2424864 (Order entered June 19, 2015) (Phase III Implementation Order). Duquesne's Phase III consumption reduction target was set at 3.1% of its expected sales for the June 1, 2009 through May 31, 2010 period. The Commission also directed that Duquesne's Phase III Plan: (1) achieve 3.5% of its overall consumption reductions come from the Government/Non-Profit/Educational (GNE) sector; (2) achieve a minimum of 5.5% of its consumption reductions from programs exclusively directed at low-income customers; (3) offer at least one comprehensive measure for residential customers and at least one comprehensive measure for nonresidential customers; and (4) achieve a total overall gross verified demand reduction of at least 42 MW. Id. at 35, 61, 68-70, 74-76. As in Phase I and Phase II, the total resource cost (TRC) test will continue to be used to evaluate each EDC's Plan. Id. at 97-98.

The Phase III Implementation Order also detailed the Phase III Plan approval process. According to the Order, the EDCs were to file their proposed Plans and the Commission was to publish those Plans in the *Pennsylvania Bulletin*. Phase III Implementation Order at 89-91. In compliance with the Phase III Implementation Order, Duquesne filed its Plan with the Commission on November 30, 2015, and Duquesne's Plan was published in the *Pennsylvania Bulletin* on December 12, 2015. 45 Pa.B. 7078. The Commission is to approve or reject all or part of the Plan at a Public Meeting within 120 days of the filing. Phase III Implementation Order at 89-91.

Duquesne's filing was assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judge Katrina L. Dunderdale for investigation. On December 10, 2015, the OCA filed a Notice of Intervention and Public Statement in this proceeding. On December 15, 2015, ALJ Dunderdale issued a Prehearing Conference Order. The OCA filed Comments on Duquesne's Plan on January 4, 2016, in accordance with the Phase III Implementation Order and the directive included in the publication of the filing in the *Pennsylvania Bulletin*. A telephonic Prehearing Conference was held on January 6, 2016. On January 13, 2016, the OCA filed the Direct Testimony of Stacy L. Sherwood[1] (OCA Statement No. 1) and Roger D. Colton[2] (OCA Statement No. 2).

After Direct Testimony was filed, the Joint Petitioners participated in extensive settlement discussions which resulted in this Joint Petition for Settlement. The Settlement provides for approval of Duquesne Light's Phase III EE&C Plan with certain clarifications and modifications to specific energy efficiency programs, including the Savings By Design Residential New Construction Program and the Residential and Low-Income Home Energy Reporting Programs. In addition, the Settlement provides for the Company to meet with stakeholders to discuss home energy reports and issues related to low-income and multifamily

[1] Ms. Sherwood is an Economist at Exeter Associates, Inc. Ms. Sherwood previously served as a Staff member of the Maryland Public Service Commission, where she reviewed filings regarding the 2012 – 2014 and 2015 – 2017 energy efficiency and demand response (EE & DR) plans for Baltimore Gas and Electric, Delmarva Power and Light Company, Potomac Edison, Potomac Electric Power Company, the Southern Maryland Electric Cooperative, and the Maryland Department of Housing and Community Development (DHCD). Ms. Sherwood filed comments and presented before the MD PSC regarding the 2012 – 2014 EE & DR plans for Potomac Electric Power Company and 2015 – 2017 EE & DR plans for the five utilities and DHCD. Additionally, Ms. Sherwood reviewed plan progress and made programmatic recommendations on a semi-annual basis.

[2] Roger D. Colton is a principal in the firm of Fisher, Sheehan & Colton, Public Finance and General Economics. Mr. Colton provides technical assistance to a variety of public utilities, state agencies and consumer organizations on rate and customer service issues for telephone, water/sewer, natural gas and electric utilities. Mr. Colton's work focuses on low-income energy issues, and he has testified and published extensively in this area.

housing programs. For the reasons discussed in detail below, the OCA submits that the Settlement is in the public interest and should be adopted.

II. TERMS OF SETTLEMENT

A. Savings By Design Residential New Construction (Joint Petition, ¶ 23)

In its Plan, Duquesne proposed the Savings By Design (SBD) Residential New Construction Program which provided incentives for home builders to employ ENERGY STAR measures in residential new construction. The OCA expressed concern that this program would not be cost effective as its net TRC was projected to be 0.3. OCA St. 1 at 11-12. Additionally, if Pennsylvania were to adopt an updated International Energy Conservation Code (IECC), the cost effectiveness of the program would be even lower than currently projected. OCA St. 1 at 12. For these reasons, OCA witness Sherwood recommended that the SBD program be removed from the Plan, and the funds be reallocated to other, more cost-effective programs. Id.

The Settlement adopts the OCA's recommendation and removes the SBD program from Duquesne's Phase III Plan. Settlement ¶ 23. However, the Settlement also leaves open the possibility of including a residential new construction program in the future by providing that Duquesne will evaluate the possibility of such a program for its Phase IV EE&C Plan. Settlement ¶ 23.

The OCA submits that this resolution is in the public interest. At this time, the residential new construction program is not cost-effective, and the resources that would have been devoted to this program may result in greater energy savings by being used in other programs. In the future, however, a variety of factors may result in a similar program becoming cost-effective. The Company will continue to evaluate residential new construction programs and work with stakeholders to determine whether resources should be devoted to a similar program in Phase IV.

This Settlement term results in the most effective use of resources at the current time while also providing flexibility for development of a similar program in the future. For these reasons, this provision is in the public interest.

B. Home Energy Reports (Joint Petition, ¶¶ 24-27, 29, 32)

The Settlement includes several terms related to Duquesne's Residential Home Energy Reporting Program (HER) for both residential and low-income customers. In its testimony the OCA expressed concern about the Company's level of reliance on these reports for significant energy savings and whether the reports are adequately personalized to be useful to individual consumers. OCA St. 1 at 13-15. The Settlement addresses these concerns in the following ways:

1. Projected Energy Savings from Home Energy Reports

OCA witness Sherwood questioned the level of energy savings that can be achieved through the use of home energy reports and also the longevity of savings. Ms. Sherwood testified that for Duquesne's proposed low-income programs, "[t]he majority of the energy savings is projected to come from the low-income home energy reports; however, it is unclear how effective and persistent the energy savings will be for low-income customers." OCA St. 1 at 14. Ms. Sherwood also expressed concern that the Company may not meet the low-income carve-out requirement if the home energy reports did not achieve the large amount of projected savings. Id. As such, Ms. Sherwood recommended that the Company assess the savings achieved at Program Year 10, and if half of the projected savings had not been achieved then the funds for low-income home energy reports be redeployed in other programs than are able to achieve the necessary savings.[3] Id. These concerns and recommendations also applied to non-low-income residential home energy reports. OCA St. 1 at 15.

The Settlement addresses these concerns by reducing the size of the HER programs and moving funds to other programs that are likely to achieve greater energy savings. The Settlement reduces the budget for the Residential HER Program (non-low-income) from $2,721,589 to $1,985,133. Settlement ¶ 24. Additionally, the budget for the Low Income HER Program is reduced from $1,280,218 to $558,141 (Settlement ¶ 25), and the projected energy savings from this program is reduced from 12,731,450 kWh to 6,788,925 kWh. Settlement ¶ 26. Funds removed from the Residential and Low Income HER Programs will be added to the Low Income Whole House Retrofit Program (WHRP). Settlement ¶ 27. This will increase the WHRP budget from $2,871,330 to $5,541,645 (Settlement ¶ 27) and increase the projected WHRP energy savings from 3,819,435 kWh to 9,761,960 kWh.[4] Settlement ¶ 29. A table illustrating all of the budgetary and energy savings projection changes resulting from the Settlement is included in Settlement Paragraph 32.

These Settlement terms help to ensure that the Company's resources are being used in programs that provide assistance with direct install measures to reduce consumption while still providing useful educational information to consumers as well as continuing the home energy reports. For example, funds moved to the Low Income WHRP will allow Duquesne to provide additional rebates on energy efficient appliances, for example, which will replace older inefficient appliances and provide years of efficient service in the home. The OCA supports the

[3] Program Year (PY) 10 is used as a reference point here because it accounts for half of the Phase III period. If half of the projected savings were not achieved by PY 10, then the program would not be on track to achieve the necessary and projected savings by the end of Phase III.

[4] The Settlement also modifies the description of the Low Income WHRP to include LED lighting and a component for participation by individually metered low income multifamily housing facilities, which contributes to the projected energy savings. Settlement ¶ 28.

use of home energy reports, provided that the messaging is appropriately targeted to individual consumers so as to provide useful information, as discussed in detail below. The Settlement strikes an appropriate balance between consumer education and tangible energy efficiency measures, and as such the OCA submits that it serves the public interest.

2. Targeted Messaging in Home Energy Reports

The OCA also expressed concern about the messaging included in home energy reports, and specifically that this messaging may not be individualized and targeted enough to be useful to consumers. Regarding the Low Income HER Program, OCA witness Sherwood testified that "[o]ften times, energy saving tips call for reductions in energy usage that low income households cannot implement, whether it is due to cost, health, or living situations." OCA St. 1 at 14. Similarly, Ms. Sherwood testified that overly generalized home energy reports for non-low-income residential consumers could become repetitive and cause customers to lose interest. OCA St. 1 at 15. To address these concerns, Ms. Sherwood recommended that the Company allow customers to provide feedback, such as through a website, regarding the attributes of their specific home, energy efficiency measures they have already implemented or programs in which they are participating. OCA St. 14-15. Providing this opportunity to both low-income and non-low-income residential customers would allow the Company to generate more targeted marketing and home energy tips than it may currently be providing in the home energy reports. Id.

The Settlement addresses these issues with the HER Programs in two ways. First, the Settlement provides that "[a]t least once per year, prior to the commencement of a program year, Duquesne Light will include a review of the content of the Home Energy Reports as an agenda item for a stakeholder meeting." Settlement ¶ 37. These stakeholder meetings will provide interested parties, such as the OCA, the opportunity to review the home energy reports and provide feedback to ensure that the reports are as targeted and useful to consumers as possible. Second, related to the Low Income WHRP, customers will have the opportunity to call the Company in order to access the home energy audits if they are unable or do not wish to use an online system. Settlement ¶ 35. Information gained through this call-in system can be used to provide more individualized home energy reports, and will provide access and referrals to the available programs for those lacking internet access.

These Settlement terms provide valuable movement toward ensuring that home energy reports are targeted and useful to individual customers, which will allow the reports to be more effective tools and to achieve greater energy efficiency reductions in the future. As such, the OCA submits that these Settlement terms are in the public interest.

C. Multifamily Housing (Joint Petition, ¶ 36)

OCA witness Colton provided testimony as to the scope of multifamily housing measures included in the Plan. Mr. Colton expressed concern that the Company's Plan only targeted a small subset of multifamily housing, including large multifamily units, buildings occupied by "income qualified applicants," and buildings owned and/or managed by public agencies receiving public subsidies. OCA St. 2 at 5. This methodology excludes a large portion of multifamily housing, such as smaller buildings and individually-metered units. Id. Mr. Colton recommended that the Plan include the full range of multifamily housing, including both small units and large buildings, as well as individually and master-metered buildings. OCA St. 2 at 9-10.

The Settlement addresses the OCA's concern regarding the limited scope of multifamily housing in a number of ways. The Settlement provides that individually metered low-income multifamily housing facilities can participate in the Low Income WHRP. Settlement ¶ 28. This provision will allow for greater participation in energy efficiency programs from individuals living in multifamily housing. Additionally, the Settlement provides for stakeholder meetings to address energy efficiency measures related to the development of affordable housing. Settlement ¶ 36. These stakeholder meetings will allow interested parties, including the OCA, to work toward greater deployment of energy efficiency measures in multifamily housing. The OCA recognizes that the Company has a limited budget, and submits that these Settlement terms will allow the Company to target a larger set of multifamily housing for energy efficiency measures, and thus is in the public interest.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this EE&C proceeding represent a fair and reasonable resolution of the issues and claims arising in this matter. If approved, the proposed Settlement will benefit the Commission and all Parties by foregoing the additional costs of litigation and will provide consumers with a reasonable EE&C Plan. For the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest and in the interest of Duquesne Light Company's customers, and therefore should be approved.

Respectfully Submitted,

Lauren M. Burge

Lauren M. Burge
Assistant Consumer Advocate
PA Attorney I.D. # 311570
E-Mail: LBurge@paoca.org

Darryl Lawrence
Senior Assistant Consumer Advocate
PA Attorney I.D. # 93682
E-Mail: DLawrence@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street, 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

February 10, 2016

216703

APPENDIX D

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company for Approval of its Act 129 Phase III Energy and Efficiency Conservation Plan	:	**Docket No. M-2015-2515375**

STATEMENT OF THE OFFICE OF SMALL BUSINESS ADVOCATE IN SUPPORT OF THE JOINT PETITION FOR FULL SETTLEMENT

I. INTRODUCTION

The Small Business Advocate is authorized and directed to represent the interests of small business consumers in proceedings before the Pennsylvania Public Utility Commission ("Commission") under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. In order to discharge this statutory duty, the Office of Small Business Advocate ("OSBA") is participating as a party to this proceeding to ensure that the interests of small commercial and industrial ("Small C&I") customers of Duquesne Light Company ("Duquesne" or "the Company") are adequately represented and protected.

II. PROCEDURAL BACKGROUND

On November 30, 2015 Duquesne filed a Petition for Approval of its Act 129 Phase III Energy and Conservation Plan ("Phase III Plan") with supporting Direct Testimony.

On December 18, 2015, the OSBA filed a Notice of Intervention and Public Statement in this proceeding.

A Notice of Intervention and Public Statement was also filed by the Office of Consumer Advocate ("OCA") on December 10, 2015.

Petitions to Intervene were filed by CAUSE-PA, Wal-Mart Stores East, LP and Sam's East Inc., Citizen Power Inc., and Duquesne Industrial Intervenors ("DII").

By Notice in the Pennsylvania Bulletin on December 12, 2015, responsive pleading were directed to be filed within 20 days of publication, or January 4, 2015. The OSBA timely filed an Answer on that date.

Administrative Law Judge ("ALJ") Katrina D. Dunderdale was assigned to this proceeding. On December 9, 2015, a Prehearing Conference Notice was issued scheduling a telephonic prehearing conference for January 6, 2016. ALJ Dunderdale issued a Prehearing Conference Order on December 15, 2015.

At the Prehearing Conference a procedural schedule was established and the Petitions to Intervene were granted.

Direct Testimony was served by OCA and CAUSE-PA on January 13, 2016.

Prior to the date to serve Rebuttal Testimony, the parties reached a settlement on January 21, 2016, and advised ALJ Dunderdale. On January 22, 2016 ALJ Dunderdale issued a second Prehearing Order which suspended the litigation schedule and authorized the submission of evidence and testimony via Stipulation and Affidavit

The OSBA actively participated in the negotiations that led to the proposed settlement, and is a signatory to the Joint Petition for Full Settlement of ("Joint Petition"). The OSBA submits this statement in support of the Joint Petition.

III. STATEMENT IN SUPPORT

The Joint Petition sets forth a comprehensive list of issues that were resolved through the negotiation process. The following issues were of particular significance to the OSBA when it concluded that the Joint Petition was in the best interests of the Company's Small C&I customers.

A. Small & Medium Commercial and Small & Medium Industrial EE&C Surcharge (Joint Petition, paragraph 38)

Duquesne's Small and Medium C&I customers take service under tariff rates GS, GM and GMH. However, in its Phase III Plan the Company combines these rate classes for the purposes of setting an EE&C Rider Charge, but then separated the customers into "Commercial" and "Industrial" categories based on NAICS designations. The "Industrial" customers in this combined class represent less than 7 percent of the class total kWh. Under the Company's current forecasts, the charge for "Industrial" designated customers will be 0.37 cents per kWh, compared to only 0.07 cents per kWh for the "Commercial" customers. Aggregating the two classes would produce an average of about .09 cents per kWh, which remains well below the forecast Residential charge of 0.19 cents per kWh. Also, none of the other EDCs differentiate Commercial from Industrial EE&C Surcharges within the Small/Medium C&I rate class group.

OSBA believes it is reasonable and in the interest of the Company's Small C&I customers that Duquesne has agreed to "make a good faith effort to implement a combined EE&C Surcharge for the Small & Medium Commercial Class and Small & Medium Industrial Class prior to the end of Phase III."

B. Commercial Multifamily Housing Retrofit Program (Joint Petition, paragraphs 42-43)

Under the Company's Commission-approved tariffs, certain master-metered multi-family residences take service under the Company's general service tariff schedules. As such, EE&C subsidies to these customers are borne by other small business customers, and vice versa. Any load reductions from these customers provides a direct benefit to the landlord who pays the electric bills, and it is generally unknown whether any such savings get passed on to tenants. At least some of these multi-family buildings house a majority of tenants who are qualified as low-income residents. As filed, the Company's Plans included a Multi-Family Housing Retrofit Program ("MHRP") for multi-family customers within its Small C&I Plan. The filed Plan indicated only that cost sharing for these programs would be negotiated on a case-by-case basis. (See Plan at page 58.) As Duquesne does not clearly report participant costs in its Plan, OSBA could not determine what level of customer contribution was assumed for this program.

In general, the OSBA believes that the EE&C plans are both more effective and more equitable when customers contribute a significant share of the costs for the specific programs from which they benefit. Moreover, the OSBA believes that the percentage subsidies in EE&C plans for different market segments within the Small C&I rate class group should be reasonably similar, in order to mitigate undue discrimination.

In response to these concerns, the settlement provides that landlords shall be required to make a contribution to installed measures. This contribution will decrease the disproportionate subsidies to Small C&I customers participating in the MHRP, compared to other Small C&I customers. Therefore, the OSBA determines that it is in the best interest of Duquesne's Small C&I customers as a class.

Paragraph 42 of the settlement also clarifies that "Multifamily Housing Retrofit Program costs charged to Commercial customers will not include any expenditures for individually metered customers taking service under a Residential tariff" and in paragraph 43 that "expenditures within the Multifamily Housing Retrofit Program that are made for individually metered customers residing in multi-family buildings will be recovered in the Residential surcharge, and any associated savings will be credited to the appropriate Residential Program." These clarifications confirm that costs that benefit Residential customers are paid by Residential customers and costs that benefit Small C&I customers are paid by Small C&I customers.

C. Judicial Efficiency

Lastly, settlement of this proceeding avoids the litigation of complex, competing proposals and saves the possibly significant costs of further administrative proceedings. Such costs are borne not only by the Joint Petitioners, but ultimately by the Company's customers as well. Avoiding further litigation of this matter will serve judicial efficiency, and will allow the OSBA to more efficiently employ its resources in other areas.

IV. CONCLUSION

For the reasons set forth in the Joint Petition, as well as the additional factors enumerated in this statement, the OSBA supports the proposed Joint Petition and respectfully requests that the Commission approve the Joint Petition in its entirety without modification.

Respectfully submitted,

Elizabeth Rose Triscari

Elizabeth Rose Triscari
Deputy Small Business Advocate
Attorney ID No. 306921

For:

John R. Evans
Small Business Advocate

Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

Dated: February 8, 2016

APPENDIX E

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan	: : :	Docket No. M-2015-2515375

STATEMENT IN SUPPORT OF
THE DUQUESNE INDUSTRIAL INTERVENORS

The Duquesne Industrial Intervenors ("DII"), by and through its counsel, submit that the Joint Petition for Full Settlement of All Issues ("Settlement") filed in the above-captioned proceeding is in the public interest and represents a fair, just and reasonable resolution of the Duquesne Light Company's ("DLC" or "Company") Petition for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan ("Petition"). As a result of settlement discussions, the Company, DII, the Office of Consumer Advocate ("OCA"), the Office of Small Business Advocate ("OSBA"), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), and Citizen Power (collectively, the "Parties") have agreed upon the terms embodied in the foregoing Settlement. DII offers this Statement in Support ("Statement") to further demonstrate that the Settlement is in the public interest and should be approved.

I. BACKGROUND

1. On November 25, 2015, DLC filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") the aforementioned Petition. The Petition outlined the Company's proposals to address the requirements of Act 129, the Commission's Phase III Implementation Order entered on June 19, 2015, at Docket No. M-2014-2424864, and the

Commission's peak demand reduction targets that will be in place from June 1, 2016 through May 31, 2021.

2. On January 4, 2016, DII filed a Petition to Intervene, Answer, and Comments regarding DLC's Petition. DII is an *ad hoc* association of large commercial and industrial ("C&I") customers receiving electric service in DLC's service territory. As some of DLC's largest customers whose manufacturing processes require significant amounts of electricity, any proposed modifications to the Company's electric rates could significantly impact DII's production costs.

3. On January 6, 2016, the Parties conducted a Prehearing Conference before presiding Administrative Law Judge ("ALJ") Katrina L. Dunderdale. The Prehearing Conference established a litigation schedule for the proceeding. On January 11, 2016, ALJ Dunderdale issued a Revised Prehearing Order to amend the schedule for discovery, testimony, settlement discussions, and hearings.

4. On January 21, 2016, the Parties informed ALJ Dunderdale that a settlement had been reached on all of the issues in these proceedings. On January 22, 2016, ALJ Dunderdale issued a second Prehearing Order that suspended the litigation schedule.

II. STATEMENT IN SUPPORT

5. The Commission has a strong policy favoring settlements. As set forth in the Commission's regulations, "[t]he Commission encourages parties to seek negotiated settlements of contested proceedings in lieu of incurring the time, expense and uncertainty of litigation."[1] Consistent with the Commission's policy, the Parties engaged in several negotiations to resolve

[1] 52 Pa. Code § 69.391; *see also* 52 Pa. Code § 5.231.

the issues raised by the various parties. These ongoing discussions produced Settlement in these proceedings.

6. The Parties agree that approval of the proposed Settlement is in the best interest of everyone involved in DLC's Phase III Energy Efficiency and Conservation ("EE&C") proceeding.

7. The Settlement serves the public interest for the following reasons:

a. Resolving claims against DLC's Petition through settlement is more cost effective than pursuing these issues further through litigation.

b. Uncertainties regarding further expenses associated with possible appeals from the Final Order of the Commission are avoided as a result of the Settlement.

c. The Settlement results in terms and provisions that present a just and reasonable resolution of DLC's proposed Phase III EE&C Plan.

d. The Settlement reflects compromises on all sides presented without prejudice to any position any Party may have advanced so far in these proceedings. Similarly, the Settlement is presented without prejudice to any position any party may advance in future proceedings involving DLC.

8. Furthermore, the Settlement satisfies the specific concerns of DII:

a. The Settlement includes a provision wherein DLC agrees to collaborate with the Parties as necessary to address any changes in law.[2] The U.S. Supreme Court recently upheld FERC Order 745, eliminating the need for statewide management of demand response ("DR") initiatives.[3] However, the Legislature's vote on Senate Bill 805 remains pending.[4] If enacted, Senate Bill 805 would enable large commercial and industrial ratepayers to opt out of DLC's Phase III EE&C Plan.[5] If Senate Bill 805 or other legislation that modifies the EE&C provisions in the Public Utility Code is enacted, DLC acknowledges it must adjust its Phase III Plan accordingly to accommodate for DII's opt-out of any and all EE&C initiatives. Should any changes in law affect the Parties' settlement terms, a change in law provision will ensure a collaborative process among the Parties to achieve

---

[2] *See* Settlement, ¶ 33.

[3] *FERC v. Elec. Power Supply Ass'n*, 2016 U.S. LEXIS 853 (2016).

[4] S.B. 805, 199th Gen. Assemb., Reg. Sess. (Pa. 2015).

[5] *Id.*

consensus regarding DII's participation in DLC's present and future EE&C initiatives.

b. The provisions of the Settlement acknowledge that DLC will abide by PJM's Open Access Transmission Tariff requirement that a customer location may have only one PJM Curtailment Service Provider per PJM DR program.[6] DLC also "acknowledges that dual enrolled capacity will require coordination between the Act 129 Conservation Service Providers implementing the Demand Reduction programs and the participating customer's PJM Curtailment Service Provider."[7]

c. The terms of the Settlement ensure transparency with regard to DLC's DR programs. DII supports DLC's disclosure of the total number of dual enrolled and single enrolled participants in the Curtailable Load Program.[8] DII also supports the Company's disclosure of the aggregate amount of incentive payments paid to dual enrolled participants and single enrolled participants.[9] Should any Conservation Service Provider bids come in below the amount of DLC's incentive payment, DII supports remittance of those cost savings to the customers. Further, the Company agrees to provide the Parties with ample information on its demand response initiatives in a degree of detail reflected by the Company's tables in Figures 45 and 46 of its Phase III EE&C Plan (attached to this Statement as Exhibit A and Exhibit B). All electric distribution companies should be required to provide the Commission and the public with similar information related to the DR programs.

d. The Settlement ensures that the Company's annual ratemaking process is transparent and just and reasonable in order to ensure that costs are allocated fairly among large commercial and industrial ratepayers. The Settlement confirms that the Parties only agree to initial rate class allocations and budgets, as the Commission and Act 129 both have processes to alter rates and budgets during the Phase III Plan's lifetime.[10]

9. DII supports the Settlement because it is in the public interest; however, in the event the ALJ or the Commission rejects the Settlement, DII will resume its litigation position.

10. As noted above, DII submits that the proposed Settlement serves the public interest and adheres to the Commission's policies favoring negotiated settlements. This

---

[6] *See* Settlement ¶ 34.

[7] *Id.*

[8] *See* Settlement, ¶ 39.

[9] *Id.*

[10] *See id.*, ¶ 31.

Settlement was achieved after settlement discussions. While the Parties have invested time and resources in the negotiation of the Settlement, this process has allowed the Parties and the Commission to avoid expending the substantial resources that would have been required to fully litigate these proceedings while still reaching a just, reasonable and non-discriminatory result. The Parties have thus reached an amicable resolution to this dispute as embodied in the proposed Settlement. Approval of the Settlement will permit the Commission and the Parties to avoid incurring the additional time, expense and uncertainty of further litigation of issues in these proceedings.[11]

[11] *See* 52 Pa. Code § 69.391.

III. CONCLUSION

WHEREFORE, the Duquesne Industrial Intervenors request that the Pennsylvania Public Utility Commission approve the Joint Petition for Settlement submitted in these proceedings.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By Alessandra L. Hylander

Pamela C. Polacek (Pa. I.D. No. 78276)
Alessandra L. Hylander (Pa. I.D. No. 320967)
100 Pine Street
P. O. Box 1166
Harrisburg, PA 17108-1166
Phone: 717-232-8000
Fax: 717-237-5300
ppolacek@mwn.com
ahylander@mwn.com

Counsel to the Duquesne Industrial Intervenors

Dated: February 8, 2016

EXHIBIT A

Figure 45: Curtailable Load Enrollment

Curtailable Load	Customers	Incentives	kW/Cust.	Total Incentives	Total kW
Single-Enrollment	27	$39.73	387.9	$416,096	10,474
Dual-Enrollment	81	$19.86	387.9	$624,144	31,421
Sub-Total	108			$1,040,240	41,895
Years				4	
Total				**$4,160,961**	

EXHIBIT B

Figure 46: Demand Management Program Estimated Budget

Program Year		2016	2017	2018	2019	2020	Total
Incentives	DLC	$0	$182,498	$182,498	$182,498	$182,498	$729,993
	Curtailment	$0	$1,040,240	$1,040,240	$1,040,240	$1,040,240	$4,160,961
	Total	$0	$1,222,739	$1,222,739	$1,222,739	$1,222,739	$4,890,954
Admin	DLC	$146,188	$146,188	$146,188	$146,188	$146,188	$730,940
	Curtailment	$823,565	$823,565	$823,565	$823,565	$823,565	$4,117,825
	Total	$969,753	$969,753	$969,753	$969,753	$969,753	$4,848,765
DR Total		**$969,753**	**$2,192,492**	**$2,192,492**	**$2,192,492**	**$2,192,492**	**$9,739,719**

APPENDIX F

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan	: : :	Docket No. M-2015-2515375

CITIZEN POWER, INC. STATEMENT IN SUPPORT OF JOINT PETITION FOR FULL SETTLEMENT

Citizen Power, Inc. ("Citizen Power"), a signatory to the proposed Joint Petition for Full Settlement ("Joint Petition" or "Settlement") in the above-captioned docket, files this Statement in Support of the terms and conditions of the Settlement reached in this matter.

I. BACKGROUND

On November 30, 2015 Duquesne Light Company ("Duquesne" or "Duquesne Light") filed the above-captioned Petition with the Pennsylvania Public Utility Commission ("Commission"). This Petition included a copy of Duquesne's Phase III Energy Efficiency and Conservation Plan ("Phase III EE&C Plan") and the Direct Testimony of its witnesses, David Defide and William V. Pfrommer.

On December 12, 2015 a notice of Duquesne Light's filing was published in the *Pennsylvania Bulletin* establishing that answers to the Phase III EE&C Plan were due on January 4, 2016. On December 10, 2015 the Office of Consumer Advocate ("OCA") filed a Notice of Intervention and Public Statement. On December 18, 2015 the Office of Small Business Advocate ("OSBA") filed a Notice of Intervention and Public Statement. Petitions to Intervene were filed by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") on December 17, 2015, Wal-Mart Stores East, LP and Sam's East Inc. on December 31, 2015, Citizen Power, Inc. ("Citizen Power") on January 4, 2016, and the Duquesne Industrial Intervenors ("DII") on January 5, 2016.

On January 6, 2016, a telephonic Prehearing Conference was held by Administrative Law Judge Katrina D. Dunderdale (the "ALJ"). At this Prehearing Conference, the Petitions to Intervene for Citizen Power, as well as the other parties, was granted. On January 13, 2016, OCA served the Direct Testimony of Stacy L. Sherwood and Roger D. Colton and CAUSE-PA served the Direct Testimony of Mitchell Miller.

On January 21, 2016 the parties advised ALJ Dunderdale that they had reached a full settlement. On January 22, 2016 ALJ Dunderdale issued a Second Prehearing Order Suspending Litigation Schedule and Authorizing Submission of Evidence via Stipulation and Affidavit.

II. STATEMENT IN SUPPORT

Citizen Power actively participated in the negotiations leading to the Joint Petition for Full Settlement. Although the Joint Petition is not perfect from Citizen Power's perspective, we do believe that it represents a reasonable compromise that is in the best interest of Duquesne's Residential customers, especially the large low-income population.[1] Also, from an environmental standpoint, we believe that the proposed Settlement improves upon the original Phase III EE&C Plan. Finally, the Settlement has the additional public benefit of limiting the costs that would be incurred through litigation of these issues.

---

[1] 11.1% of Duquesne's residential customers are 150% of the poverty level or below. CAUSE-PA Statement No. 1 at 11 *citing Pa. Public Utility Comm'n, Bureau of Consumer Services, 2014 Report on Universal Service Programs & Collections Performance of the Pennsylvania Electric Distribution Companies & Natural Gas Distribution Companies*, 6, *available at* http://www.puc.state.pa.us/General/publications_reports/pdf/EDC_NGDC_UniServ_Rpt2014.pdf

A. Low-Income Programs

Citizen Power believes that the additional terms related to low-income programs (Settlement ¶¶ 25-30, 32, and 35) address many of the issues identified by OCA and CAUSE-PA in their direct testimony and significantly improves Duquesne Light's EE&C Plan. First, the reduction of the budget and projected savings for the Low Income Home Energy Report Program in Paragraphs 25 and 26 represents a reasonable approach given the minimal amount of evidence supporting the efficacy of these types of programs when applied to low-income populations. Specifically, as noted by both CAUSE-PA witness Miller and OCA witness Sherwood, low-income households may have difficulty reducing their usage in response to home energy reports.[2] The reduction of the budget lowers the amount of risk that the savings from this program are not as expected, since any shortfall will have less impact while simultaneously allowing for Duquesne Light to gain valuable information regarding the effectiveness of messaging for low-income customers.

Second, the increased budget for the Low Income Whole House Retrofit Program (Low Income WHRP) along with the greater projected savings in Paragraphs 27 and 29 benefits the low-income population by providing a greater number of direct-install measures that have an impact on energy affordability. It also benefits all ratepayers by using the funding for measures that reduce electricity usage over a long-term period.

Third, the modification of the Low Income Whole House Retrofit Program (WHRP) in Paragraph 28 to include LEDs as a component not only increases the useful life of the measure beyond that of CFLs, but also has the potential to create a spillover effect by exposing low-income populations to LEDs as the prices of LEDs continue to decrease in the marketplace.

[2] CAUSE-PA Statement No. 1 at 10, 16; OCA Statement No. 1 at 14.

Fourth, the addition of a call-in option for the Low Income Whole House Retrofit Program allows for those without internet access to directly enter the program. As pointed out by CAUSE-PA witness Miller, a call-up option allows those without an internet connection to directly gain access to this program without having to go through indirect means such as referrals from gas companies.[3]

B. Environmental Issues

Several of the terms of the Settlement contain environmental benefits. First, Duquesne's commitment in Paragraph 4 to evaluate the potential for a residential new construction program in its Phase IV EE&C Plan supports an existing trend towards a greater amount of green building in the Pittsburgh region. Pittsburgh is known as a hub for commercial green building and increasing cost efficiencies may make a residential new construction program more attractive in Phase IV.

Second, the inclusion of LEDs in the Low Income Whole House Retrofit Program will result in lower levels of free-ridership than if CFLs were used in the program. Specifically, CFLs are increasingly the standard for residential customers. Although Duquesne gets credit for the difference between the wattage of the working light and the replacement bulb, it is unlikely that the bulbs being replaced have 100% of their working life left. Since it is likely that when the original bulb would have been replaced by the resident, it would have been with a CFL, the actual savings of using CFLs in the Low Income Whole House Retrofit Program will be less than credited. Using LEDs prevents this free-ridership.

Third, the commitment of Duquesne Light to review the content of the Home Energy Reports annually during a stakeholder meeting, as described in Paragraph 37 of the Settlement,

[3] CAUSE-PA Statement No. 1 at 23.

will allow for potential adjustments to the program to be made, potentially resulting in higher savings and/or persistence levels. Recently, the Pennsylvania Public Utility Commission released a final report on residential behavioral program persistence. The existence of an annual review of the Home Energy Reports will allow for such information to be used during Phase III to improve the programs as the information becomes available.

III. CONCLUSION

As indicated by this Statement in Support, Citizen Power believes that the Joint Petition for Full Settlement addresses many of the fundamental concerns raised in response to Duquesne Light's Phase III EE&C Plan. Citizen Power therefore submits that the Joint Petition for Full Settlement is in the public interest and requests that it be approved by the Commission.

Respectfully submitted,

Theodore S. Robinson, Esquire
PA Attorney ID No. 203852

Citizen Power
2121 Murray Avenue
Pittsburgh, PA 15217

Phone: 412-421-7029
Fax: 412-421-6162
Email: robinson@citizenpower.com

Date: February 8, 2016

Counsel for Citizen Power

APPENDIX G

SPILMAN THOMAS & BATTLE, PLLC

ATTORNEYS AT LAW

Barry A. Naum
Direct Dial (717) 795-2742
bnaum@spilmanlaw.com

February 8, 2016

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

Re: Petition of Duquesne Light Company for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan; Docket No. M-2015-2515375

Dear Secretary Chiavetta:

This letter is submitted on behalf of Wal-Mart Stores East, LP, and Sam's East, Inc. (collectively, "Walmart") in order to formally indicate that Walmart does not object to the Joint Petition for Full Settlement filed by Duquesne Light Company, on behalf of itself and other parties, in the above-referenced proceeding.

Please contact me if you have any questions concerning this filing.

Sincerely,

SPILMAN THOMAS & BATTLE, PLLC

By

Derrick Price Williamson
Barry A. Naum

BAN/sds